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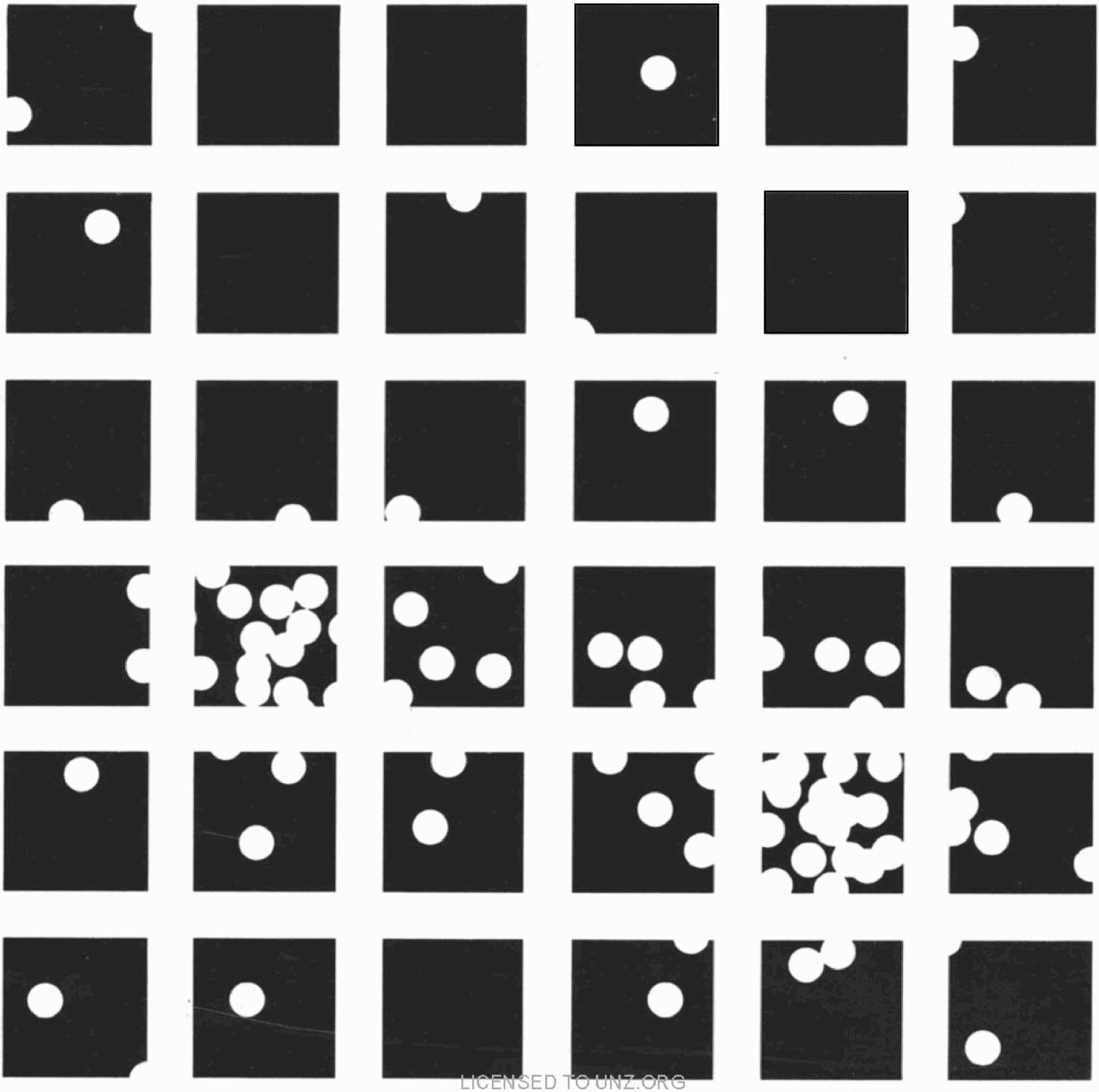
cities in crisis



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cities in crisis: the failure of urban planning

CITIES IN CRISIS: THE FAILURE OF URBAN PLANNING

It is widely accepted that our cities are in serious trouble. Some critics go so far as to contend that great cities, like the dinosaurs of old, are doomed to extinction, unable to cope with a changing environment. The conventional wisdom lays the blame for the cities' failure on a lack of planning. Professional urban planners, especially those in municipal planning departments, contend that, if only they had more power, the cities' problems would be on the way to solution.

In the last five years, however, a new trend has appeared—what we might call *revisionist urban studies*. The first of the revisionist books to appear was Martin Anderson's now-classic *THE FEDERAL BULLDOZER* in 1966. Anderson's book blew the lid off the federal urban renewal program, pointing out its use as "Negro removal" and its tendency to destroy ruthlessly the homes of the poor without providing replacements. Once Anderson had opened the field, others soon joined in. 1969 saw the publication of major new works by three of the leading revisionists—Edward Banfield, Jay Forrester, and Jane Jacobs.

In *THE UNHEAVENLY CITY* Banfield argued that 1) the urban crisis was greatly exaggerated, 2) most government antipoverty programs are ineffective at best and destructive at worst, and 3) real progress could only be made through politically unacceptable policy changes (such as ending compulsory schooling and repealing minimum wage laws, to provide urban teenagers with something constructive to do). Predictably, Banfield's ideas were greeted largely with cries of outrage.

By contrast, Jay Forrester's *URBAN DYNAMICS* started out very quietly. To be sure, it was reviewed in the various journals, but possibly due to the author's mathematical formulations, it took quite a while before the book's revisionist conclusions began to sink in. Forrester argued that the standard governmental programs that aim at solving urban problems attack symptoms, not causes, and in the long run only reinforce the tendency towards stagnation and decay. Politicians can continue to sell their programs because of their emotional appeal and because they (and the voters) think in terms of short-range effects, whereas Forrester's models reveal the long-range consequences of policies and programs. Though denounced by many ideologs, Forrester's analytical approach has attracted much scholarly attention.

Jane Jacobs' *THE ECONOMY OF CITIES* is the best-received of the new revisionist works, perhaps because she has so much confidence in the basic economic viability of cities. Jacobs is unsparing when it comes to policy recommendations, however, for example: "The single most salutary thing [the federal government] could do would be to repeal its housing, urban-renewal, model-cities, and highway legislation and hand responsibility for such matters, along with the tax money, back to localities." She sees as causes of stagnation "the seemingly small regulations that obstruct change: transportation franchises, union rules, building codes, zoning ordinances . . . " In short, all the sacred tools of the enlightened governmental planner.

All of this seems to suggest that urban planning—at least as it has been taught and practiced to date—has failed utterly to prevent urban decay and in some cases has accelerated it. This leads to some very fundamental questions: Is urban planning inherently and inevitably counter-productive? Is any kind of urban planning warranted and, if so, what sort? Can there be meaningful planning that does not rest on the government's power of coercion?

Answers to such questions are not easy to come by. It is all too easy for the libertarian unthinkingly to cry "laissez-faire," as if that provided *answers* and a way out of the mess we are in. Underlying all of these questions is an even more fundamental one: Is the city, as we know it, in fact obsolete? Are, therefore, questions like those above almost beside the point? We will return to these points in forthcoming issues.

Robert Poole, Jr.

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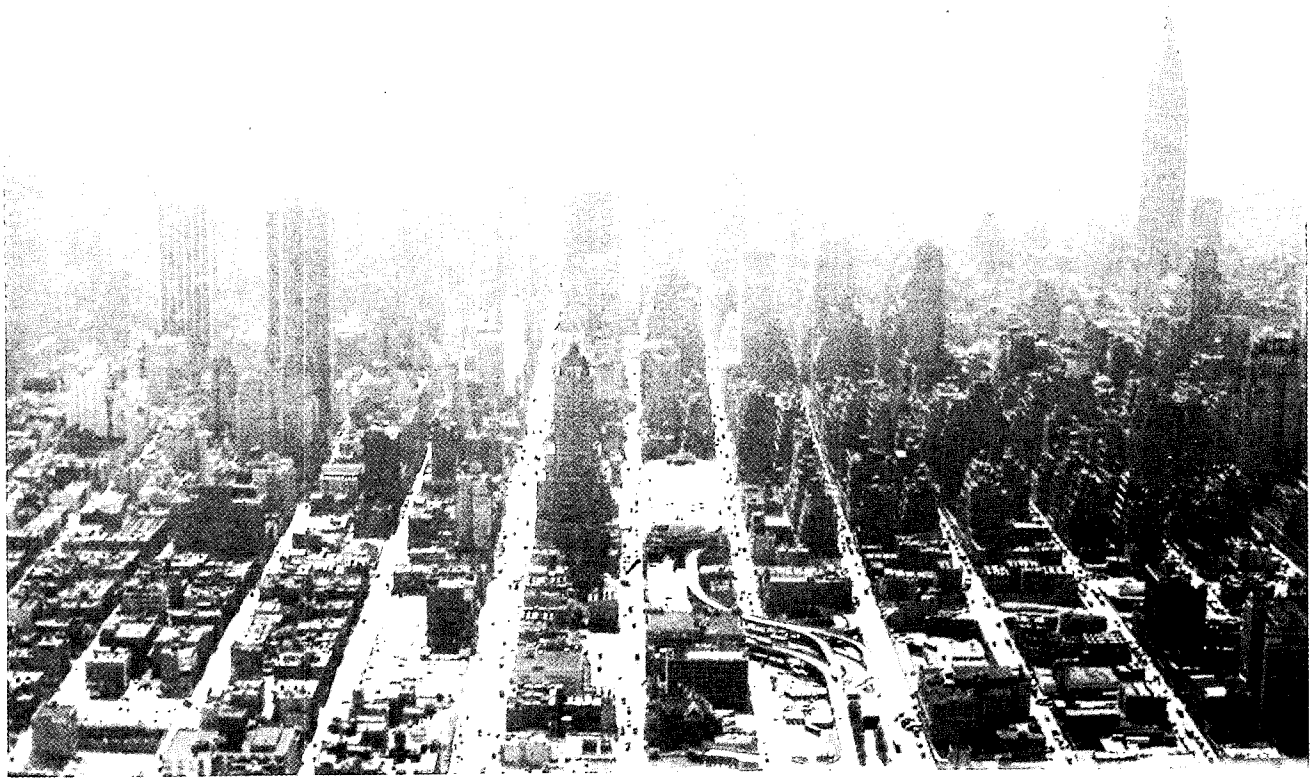
new york —
death of a city

mark frazier



New York is, simply, the greatest city that has ever existed. One approaches it by air with the greatest respect, at least if the air is clear, for the immensity, the staggering size of the city would impress even the most deadened mind. The city is, from the air, a complete, masterly statement of human accomplishment.

But from the ground, New York City is an expression of something else. It is an expression of great human achievement betrayed, greatly betrayed, by an underlying fever of destructiveness. The City is frightening, and mean: often, in the manic tangle of rush-hour stampedes, the sweltering, gloomy, dark and violent subways, the pounding din of road and sewer excavation, the vicious stares of strangers, one realizes that the City is not so very far away from the edge of civilization. And one wonders how this City came to be as it now it.

If one is a stranger with time to spare, one questions, one looks, one journeys across the City for answers to the question. From the manager of a once-luxurious hotel now housing welfare cases, the answer is simply "the blacks." From a caseworker in the City Welfare Department, the answer is "capitalism." From a parole officer in the Police Department, the answer is "the welfare system." From an executive in a large employment agency, it is "the tax structure." From others, one hears "crime," "drugs," "Lindsay."

Subways in New York
Subways in New York are suffocatingly hot, dirty, and crowded. And now—shades of Soviet Union or Communist China—it's illegal to take pictures of them.

Times Square is not the place it once was. Sex theatres and "adult" book stores abound, the streets are not safe after dark, and "hookers" —until a recent police crackdown—plied their trade in great numbers.

A man came up to me shortly after I came to Times Square, asking for money. He had strange looking material in his beard and I wondered what it was as I shook my head. About thirty feet later I found out. He threw up, apparently not for the first time, near a mailbox.

New York's troubles stem from a deeper root. This City, the shrine/citadel of American liberalism, is so imbued with the tenets of its religion that it cannot face the reason for its failures. *The reason is politics.*

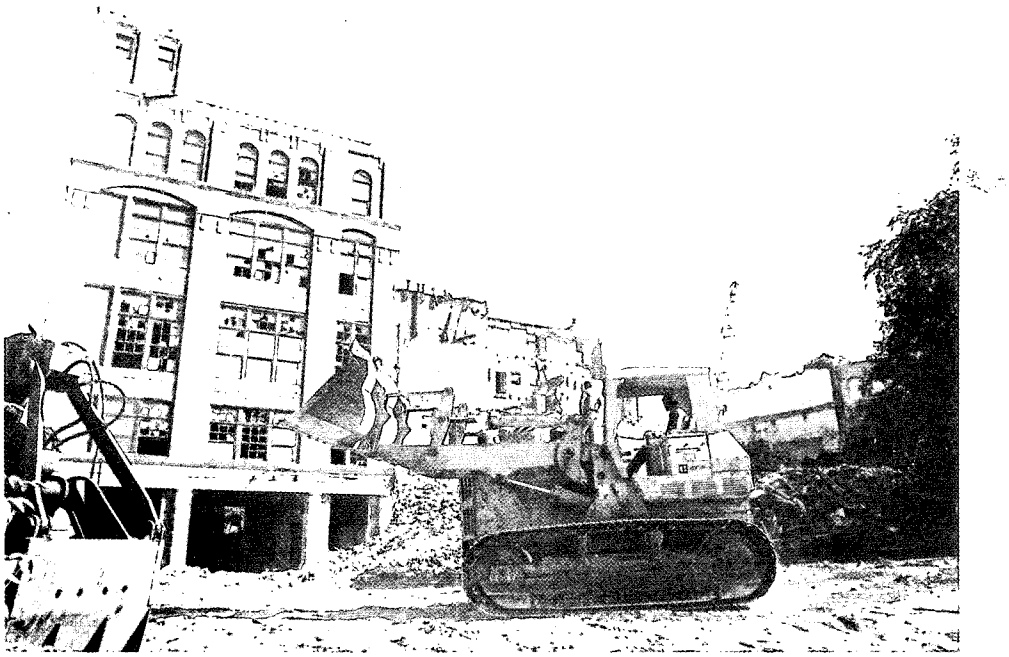
New York's religion is Government, Social Necessity, Public Good, and attendant lesser sacraments. It has taken the faith very seriously, because it convinced itself early on that social awareness is very noble and very necessary—in sum, very humanitarian. (Or, to be more accurate, the overwhelming bulk of New York's financial and social élite convinced itself of this.) Politics correspondingly became the focus of interest and endeavor; teachers, garbagemen, sewage personnel, welfare workers, welfare recipients, construction employees, and organized crime entwined their interests in those of the political machine and created a system which nourished their special interests.

Unfortunately, it turns out, while each special interest picks the pocket of everyone else, its own pocket is being picked in turn. This fact, dimly registering, has prompted the spread of the practice known as "Abandon Ship". Municipal employees exchange their urban dwellings in favor of suburban or triple their energies to secure fat pensions and salaries from the ruins of the City's economy. Unions press for special favors and restrict the supply of skilled tradesmen. And meanwhile, of course, productive private industries—essential to the City's tax base—run off helter skelter. The City is doomed.

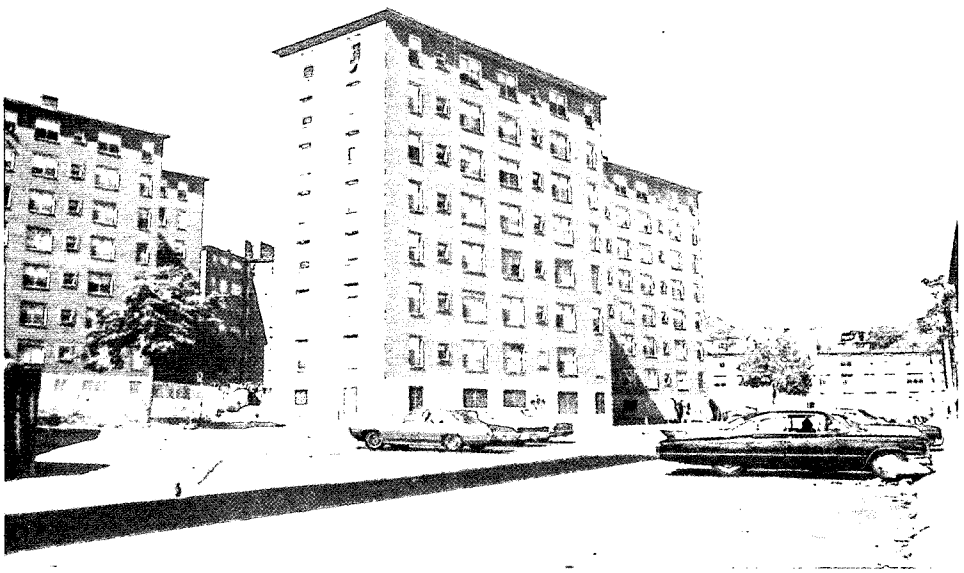
Such a realization, perhaps, prompted Mayor Lindsay to remark recently that New York City "is probably ungovernable." He is so right—at least as long as the freedom of entrance and egress prevails—because productive people will inevitably seek out the areas in which they are least governed. The conclusion for the City, then, is simple. If New York is to have its betrayed greatness returned, politics and the destructive spirit it has engendered must be recognized as evil and abolished.

The Brookmont—a welfare hotel. Due to a shortage of housing in no small way created by rent control, the city is now forced to put up hundreds of welfare families in hotels like these.

I stopped in at a welfare office in Brooklyn, and wandered around the six floor building to observe how the welfare system operated. My first encounter was with a grumpy, heavy set official who asked me what I wanted. I told him I was looking for information on the food stamp program and was referred to another official behind him. He came up from a desk where he had been smoking a pipe and looking down at the street—one of his co-workers, incidentally, was reading a sociology book and several others were talking about a party—and told me that the information would have to be gotten at the welfare department's headquarters in Manhattan. I told him that I was just interested in the literature about the food stamp and work-incentive programs given to welfare applicants, that, in fact, I would have gotten this information if I had identified myself as an applicant in the first place, but he said he was not permitted to hand it out to non-applicants.



Block upon block of abandoned dwellings such as these sit like a ghost town in the middle of Bedford Stuyvesant. The scarred and dilapidated buildings have been seized by the city for the landlord's failure to meet taxes and now are being bulldozed down for some far-distant "redevelopment" projects.



Mile after mile of housing projects is visible to anyone driving along the expressway on the east side of Manhattan. New York's percentage of public to private housing is one of the highest in America.

ghetto economics

yale brozen

This paper was originally presented at Monmouth College, Monmouth, Illinois, 21 May, 1970. It was subsequently published in RELIGION AND SOCIETY, *edited by Angus MacDonald.*

The conventional view of the Black Ghetto is of an area populated by the underemployed and the unemployed with residents excluded from jobs by white labor unions, exploited by grasping landlords and greedy grocers, oppressed by white policemen, and with schools controlled and operated by a hostile or inert bureaucracy unresponsive to black needs. The stereotype includes a disproportionate dependency on welfare with female headed households and with poor health caused by inadequate public health services.

The fact and fancy mixed together in this standard view are causing major confusions in public policy, misdirection in private efforts, and much slower movement in economic and social progress than is attainable.

First, let us get a few facts straight. Let us begin with the questions, "Do black people pay more for housing than they would if they were not black?" and "Are blacks being victimized by grasping landlords?"

There are two ways of looking at these questions. Implicit in these two ways is the possibility that there are opposite answers to these two questions, although a *no* or *yes* to either of these questions would seem to require the same answer to the other. Let us look at the latter question first, "Are blacks being victimized by grasping landlords?"

A *yes* answer to the latter question would imply that landlords in ghetto neighborhoods do not compete with each other for tenants, that they are in collusion to maintain high rents, that they earn above competitive rates of return on the investment in their properties, that they somehow have the power to shut out would be providers of housing who also would like to earn "high" rents on their investment, and that vacancy rates in ghettos run well above the usual city averages.

A very extensive study of rentals and quality of housing was undertaken by Professor Richard Muth of Washington University to test the proposition that ghetto rentals are higher than would be expected in a competitive housing market. He developed a set of tools for predicting rentals in terms of location and quality of housing. He then tested the predictions against actual rentals. He found that actual rentals paid were the predicted rentals whether one was observing black neighborhoods or white neighborhoods.

Evidently, ghetto rents are no higher than one would expect given their location in relation to employment centers and given the quality of housing provided. The farther a neighborhood is from employment centers and the higher the cost of transportation, the lower the rents paid. Also, the poorer the quality of housing in terms of age, condition, and plumbing facilities, the lower the rental, other things equal.

The only areas whose rentals were above predicted levels were transition areas. Incidentally, transition area rentals were above predicted levels whether the area was in transition from white to black or from black to white. (In the transition areas, well-to-do blacks are bidding property away from poor whites and well-to-do whites are bidding the property away from poor blacks.)

This is sufficient evidence to close the case of the grasping landlord for lack of a villain.

However, we have other evidence bearing on the same question. If ghetto property is so profitable, we would expect the owners of such property to extract their rents and guard their buildings zealously. What we find, however, is that such properties yield so little return that they frequently are not worth keeping. In New York City, ownership of property sufficient to house more than 250,000 people has simply been abandoned in the last three years. The replacement cost of apartments being abandoned annually

amounts to one billion dollars. No one appears to collect the rents due on these properties, much less to supply heat, maintain the plumbing, repair broken windows, doors, etc. Even the tenants have fled some of these buildings and left them to the ravages of vandals and wanderers. Others remain and complain to city agencies about the lack of heat in the winter, lack of water in broken down plumbing, and the necessity for hauling water in buckets from their neighbors' homes. Many of those who complained about their rentals now wish they had a grasping landlord to repair broken down plumbing and provide heat and water.

"But," replies the knowledgeable exponent of the grasping landlord thesis, "New York City is a special case. Landlords are under rent control and are prevented from charging unconscionable rents. That is why they are abandoning their buildings."

To this, we can only answer, "True! Rent control is causing hardship for tenants who would like to have heat in their homes."

However, in Detroit, there is no rent control. Yet, buildings are being abandoned at the rate of ten a week. City officials estimate that there are 1000 abandoned buildings in the central city. Where are the grasping landlords who make fantastic profits out of ghetto housing? Why have they abandoned their properties? Maybe they have grown so rich that they are all sitting on the beaches of Caribbean islands basking in the warm sunshine while lighting their cigars with $50 bills. Or is that just too improbable for even the most naïve to swallow?

There are, of course, tenants whose landlords do not live up to their rental agreements (and landlords whose tenants do live up to their agreements) in every section of the country. We can always find ghetto tenants who have problems in dealing with landlords, but these problems are not peculiar to the ghetto. What does seem to be peculiar to the ghetto is a disproportionate number of tenants who do not live up to their agreements with landlords. Property is mistreated more frequently by ghetto tenants than by non-ghetto tenants, if we can judge by the cost of maintaining cleanliness and providing repairs of ghetto properties. The incidence of sheer vandalism and of property destruction is extremely high in ghetto areas—which is probably as much or more a consequence of the activities of others than of the residents of the vandalized properties. To this extent, ghetto residents who are good tenants nevertheless find their rents high because of the high cost of maintenance caused by others in their neighborhoods. And in many cases, tenants cannot be found willing to pay the rents which would cover the cost of maintaining properties under these difficult conditions even with the maintenance provided being held to minimum levels.

It is true that in the properties still being held by ghetto landlords, the level of maintenance is below the average level for most properties. What must be recognized is that ghetto landlords provide that maintenance level for which residents are willing to pay. Since well maintained properties do not command a sufficient premium over poorly maintained properties in the ghetto rental market to provide any incentive for high maintenance levels, ghetto properties tend to be poorly maintained. This is reflected in the lower rental levels found in ghetto areas—rental levels which are associated with substandard dwellings. In many cases, the rentals offered for such properties are so low that landlords find that even the minimal costs associated with low levels of maintenance are not covered by the rentals offered. In these cases, then, buildings are abandoned (and, in New York, offered as donations to the city).

Many kinds of evidence point to the fact that ghetto residents are not being over-charged for the rent of the dwellings they occupy. However, it may still be true that blacks pay more for their housing than they would if they were not black.

They certainly do not pay more for the *housing they presently occupy* than they would if they were not black. However, they might prefer living in other locations than in the ghetto, locations where rents are cheaper than in the ghetto—cheaper because these locations are farther from employment centers with higher costs for transportation to daily jobs or because there is less vandalism than in those areas causing the cost of maintenance to be high. Because they *feel* they would not be allowed to rent these dwellings as a consequence of being black, they remain in the ghetto, angry at a world which they feel forces them to live where they would rather not.

All of this is pure supposition. We have no evidence bearing on this point other than the fact that dwellings occupied by whites in the past have been rented to blacks, indicating that green power is fairly effective. In the city of Chicago, approximately 50 dwellings a day shift from white occupancy to black occupancy. These sketchy bits of evidence provide no support for the thesis that blacks pay more because they are black, but neither does it destroy the thesis so completely as the grasping landlord thesis can be destroyed.

Let us turn to the case of the greedy grocer and let us see what evidence there is on this point. First, let us recognize that the cost of operating stores in ghetto areas is higher than the cost of operation in suburban areas. First, security and insurance costs are much higher in ghetto areas than in suburban and small town locations. Secondly, the cost of what is euphemistically known as "inventory shrinkage" is higher in ghetto areas than in other locations. Finally, clerical costs are higher in ghetto areas because the average purchase is smaller and total annual sales per clerk are lower in ghetto than in nonghetto areas.

Now what are the facts on what blacks pay and what whites pay? The data available are very mixed on this point.

First, we know from household panel data obtained in Chicago that each chain charged the same prices in whatever area it operated in the city. Prices are not higher in ghetto chain stores than in the same chain's stores in other areas.

Second, 80% of black purchases are made outside the area in which they reside. The evidence indicates that blacks search more extensively for quality and price than do whites.

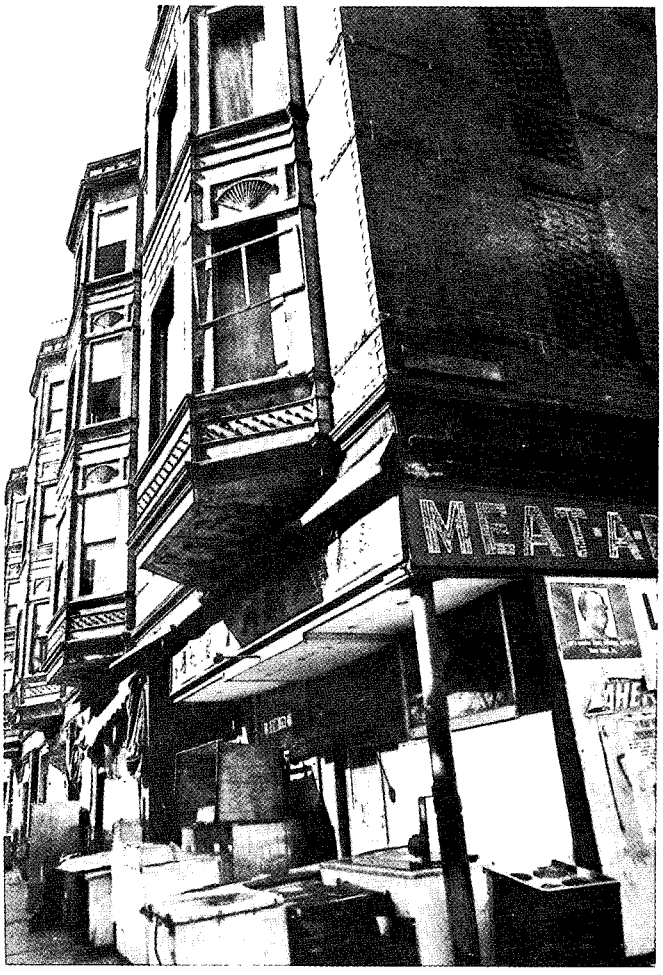
Third, an intensive examination of the purchases of one commodity which bulks larger in black budgets than in white budgets—rice—showed that black households paid $.096 *less* per pound of rice than did white households. I should say that this was a consequence of white households buying rice in a more expensive form. On a brand by brand basis, the average price paid by whites for Riceland and Sultana rice was lower than the average price paid by blacks. For all other brands, the average price paid by whites was higher than the average paid by blacks. In the case of Riceland and Sultana rice, one-third of the purchases by blacks was lower in price than the average price paid by whites. In the case of other brands, five-sixths of the purchases made by blacks was lower in price than the average price paid by whites.

To some extent, major chains are under-represented in ghetto areas relative to population and income in those areas. This, of course, is a consequence of their uniform price policies which tends to make business in high cost areas unprofitable. The question has to be asked, then, whether the independent stores which predominate in ghetto areas charge higher prices. Again, the evidence is mixed. Riceland rice is higher priced in independent stores than in chain stores, but Minute Rice is lower priced in independent stores than in chain stores in Chicago.

So far, this is the only commodity studied intensively in a study which is now going on in the Chicago area. Data from some Bureau of Labor Statistics studies is equally mixed. Two pound sacks of flour were found in a BLS study to be cheaper in ghetto areas than in other areas in the same city, while five pound sacks were found to be more expensive. I would suspect that the reason is that two pound sacks of flour sell in larger volume in ghetto areas while five pound sacks sell in larger volume in other areas, but no volume data has been provided in these studies. What is relevant to a grocer is not the price he obtains per item but the return per foot of shelf space. If a foot of shelf space devoted to two pound sacks of flour has a high volume, he can operate with a lower margin than on a foot of shelf space devoted to five pound sacks which have a very low selling volume.

The direct evidence available—what little there is—does not show ghetto prices to be high despite the high cost of operation in ghettos. If we add to this the fact that there is no rush of merchants eager to establish stores in ghetto areas, this would argue that ghetto grocery operations are not very profitable. From stray bits of evidence such as ghetto grocers who have been trying to sell their stores and finding it very difficult to do so, it would appear that such operations are unprofitable. In the Chicago area. some chains have reduced their operations in ghetto areas because they have become unprofitable as vandalism and "inventory shrinkage" have gone up. If anything, then, groceries are being underpriced to ghetto residents—not overpriced—relative to the cost of operation.

On the other hand, when we examine governmental operations in ghetto areas such as the public schools, it does appear that they are providing the wrong kinds of service and not the type to which ghetto residents would be responsive. Children are not learning what they are expected to learn—judging by scores on nationally administered examinations. Schools which have had resources lavished on the children have done no better, and frequently done worse, than the schools where the spending has been spartan, according to a study done on New York City schools. The successful schools apparently have had teachers who know how to approach ghetto children and their parents: teachers who cared and knew how to act on their concern, not great resources in personnel and equipment. The successful schools have been the ones where teachers have frequently disregarded or been permitted to disregard the lock step curricula and lesson plans normally imposed on all by supervisors and curriculum planners regardless of the nature of the student body.



In Chicago, the rebellion of some teachers and principals in ghetto schools against centrally planned curricula has reached the point where they are writing letters to newspapers, since they have been unable to make headway with their supervisors and the educational bureaucracy. Other teachers and principals simply don't care. They serve their time and do little more than try to keep order—with the consequence that the public schools have become jungles.

At this point, it would seem that radical methods are required to halt the damage being done by the school bureaucracies. One proposal, which seems to be the only available solution yet suggested that seems workable, is to provide tuition vouchers to the parents of children. Where the schools are spending, let us say, $600 per child, a tuition voucher could be given to parents for each child which could be used to pay tuition in any accredited school, public or private, which parents might choose. With schools competing for students, instead of students being forced to go to a school designated by the

government and operated by the governmental school bureaucracy, they would select personnel who are successful with students and use teaching methods which are effective. The schools would be responsive to the needs of children, instead of becoming jails in which children are confined for six hours a day.

However, we must not lay all the blame for educational failure of the ghetto schools on the doorstep of the schools. Parents whose children and whose children's teachers have been assaulted have failed to complain to the police or to support the police when they are summoned to restore order. Because ghetto residents have failed to support police attempts to keep order and protect teachers, many capable teachers who are concerned and effective with ghetto children have fled the ghetto schools and left them to the time-servers, the less capable who are unwanted in other schools, and a few capable teachers with the courage and the determination to carry on. One statistic from Chicago graphically portrays the situation. Reported assaults on teachers in Chicago schools have increased from 100 annually ten years ago to 1300 last year.

If we look at other indices for measuring black ghettos, the picture is not so dismal as in the case of the school situation. Unemployment among blacks in urban poverty areas has declined from 9% to 7% since 1967. Looking at a longer stretch of time, the proportion of nonwhite families in poverty neighborhoods (defined as the poorest one-fifth of the census tracts in 100 metropolitan areas) falling below the poverty line has declined from approximately 60% in 1947 to 33% in 1967. In the six major ghettos it has declined to 24%. The median income level of black families in these areas his risen from 50% of median white family income level in 1947 to 74% in 1968. That 74% of white median income is considerably above the national median black family income which is 63% of median white family income. Considerable progress has been made.

Despite this progress, the rise in attacks on teachers, increasing vandalism, and the increasing number of attacks on policemen and on fellow ghetto residents appears to indicate a rising level of anger and frustration. In part, this may be a result of the progress already made. Now that goals are closer and apparently attainable, goals which were once distant and seemingly unattainable, aspiration levels have risen and apathy is being discarded.

On the other hand, some of the anger and frustration may also be a consequence of increasing family disorganization manifested in such indices as the proportion of households in the ghetto without a male head. This, in part, is a consequence of the way in which welfare payments are administered in programs such as Aid to Families with Dependent Children. President Nixon has proposed the replacement of this program with a Family Assistance Plan where welfare payments will not depend on the absence of a male wage earner. This may be of some small help in halting the rise in family disorganization, although it will still remain possible for a family to increase its income by the wage earner's nominally deserting his family to make it possible for them to go on the Family Assistance Plan while he continues to earn from his job.

The most important activity for cooling the ghetto, and for curing some of the problems in education, is the family planning program. In addition, the repeal of statutory laws on abortion and a return to common law on this subject is required.

At present, birth rates in the ghetto are running 37 per 1000 per year as compared to a national average of 17 per 1000 per year. There are simply too many children in a large proportion of ghetto households to be given proper attention and support. Without parental attention and encouragement, children do not do well in school. With too many children, ghetto parents cannot provide the economic or emotional support their children require or enforce the learning of acceptable standards of behavior. Anger at their deprivation is one consequence, and disinterest in school and lack of readiness for school when they reach kindergarten or first grade is another.

Ghetto parents are interested in providing better for their children, but frustration of their attempts is one of the consequences of too many children. In one small ghetto area of Chicago, Planned Parenthood's provision of birth control information to those seeking it has reduced the birth rate from 37 per thousand to 25 per thousand. This has reduced crowding in homes and the burden on schools, enabling both to do a better job.

If there is one thing this nation does not need, it is a continuation of the population explosion. At present rates of population increase, we will have another 100 million people to house, feed, and educate in little more than thirty years. We are struggling now with the pollution problems created by a 200 million population. Increasing this by another 50% will confront us with an overwhelming task. We must reduce the present rate of population growth to a more manageable level. The place to begin is with the people who prefer having fewer children. Ghetto residents have already shown their preference for fewer children by their response to the Planned Parenthood programs now operating in a few areas. *It is the same preference as that manifested in the rest of the nation* which is keeping its birth rate down to a seventeen per thousand level.

The second most important step which can be taken to reduce anger and frustration in the ghetto is to avoid any further increases in the statutory minimum wage level. At present, no employer in most industries can legally pay less than $1.60 an hour to an employee (in a few cases the minimum is $1.45 and is scheduled to rise to $1.60 in 1971, and in certain kinds of farming it is $1.15 and is scheduled to rise to $1.30 in 1971). This is a requirement laid down by the Federal Fair Labor Standards Act.

The result of this minimum wage requirement is that 32% of black teenagers in six major ghettos who would like to have jobs and have actively sought jobs are unemployed. Another 23% of black teenagers in those areas who would like to have jobs have become so discouraged by their inability to find jobs that they have given up looking for work. This group is not even counted in the labor force and shows only as a decline in what is known as the participation rate.

With more than 40% of the black teenagers in the six major ghettos who would like to have jobs being unable to find work, it is no wonder that they are angry and frustrated. It is no wonder that they have rioted, burned their neighborhoods, assaulted the teachers they once had (a major portion of the assaults on teachers is by students that formerly attended their schools), and have reacted against such symbols of authority as policemen who try to prevent them from vandalizing and stealing.

You may well ask, "What evidence do you have that the minimum wage is the cause

of unemployment among black teenagers? Perhaps discrimination against blacks is the cause of their unemployment and we could reduce their unemployment levels by eliminating, or at least reducing, discrimination. If the minimum wage is the cause of unemployment among teenagers, then there should be as much unemployment among white teenagers as there is among black teenagers."

It is true that reported unemployment among white teenagers is only 12% nationwide as aginst 24% nationwide among black teenagers and that the participation rate of white teenagers in the labor force is higher than the participation rate of black teenagers. However, this is something that has occurred only since the minimum wage was jacked up to its present level.

In 1940, the unemployment rate among black teenagers was about the same as the unemployment rate among white teenagers. The black teenage participation rate in the labor force was much higher than the white teenage participation rate. By the late 1940s, this was still true. In 1950, a $.75 an hour minimum wage was established. The black teenage participation rate then dropped relative to the white particiaption rate and black teenage unemployment jumped to levels 20% higher than white teenage unemployment. In 1956, the minimum wage was raised to $1.00 and the same thing happened again to relative unemployment rates. In 1961, the minimum was raised to $1.15 and in 1963 to $1.25. Again the same thing happened. In 1967 the minimum was raised to $1.40 and in 1968 to $1.60. Again the same thing happened.

White teenagers have been affected by the rise in the minimum. In good times, the unemployment rate among white teenagers used to run around 7 to 8%. Now, it runs around 11 to 12%. But black teenage unemployment rates which also used to run around 8% in good times now runs around 24%. The black teenage participation rate, which formerly far outran the white rate, sank toward the white level beginning in 1950. It finally dropped below it when the minimum wage was raised to $1.15 in September 1961, despite the fact that the white teenage participation rate has also dropped each time the minimum wage was raised, with a few exceptions, and is now considerably below what it was in the early 1950s.

If it is discrimination that is causing the high level of black teenage unemployment, then we have to argue that anti-black feeling leaped to a higher level each time the legal minimum wage was increased—hardly a sensible conclusion. Other evidence indicates that discrimination has been decreasing, not increasing. The unemployment rate among black adults has been declining—and it has declined much more rapidly than the unemployment rate among white adults. Median real income of Negro families increased 60% in the last ten years while white increased 30%.

Of course, you may then ask, "Why do increases in the minimum wage affect black teenagers much more adversely than white teenagers and, apparently, has had little or no adverse effect on adult employment?" First, the wage rate paid most adult workers is in excess of the increased minima which have been set from time to time. Adult workers are more productive, more responsible, require less costly supervision and training than teenagers and are, as a consequence, worth enough to employers that competition among employers for their services has driven their wage to levels well above the minimum wage rates. Teenagers are not so skilled, responsible, or productive as adults. Many of them are not worth as much as the minima that have been set and *therefore* have not been able to find employment.

Second, the average skill and average educational level of black teenagers is less than that of white teenagers. In the ghettos in the six cities of Chicago, New York, Los Angeles, Detroit, Atlanta, and Houston, the average black had 10.8 years of education as compared to an average of 12.3 years of education for the average white. The average black ghetto teenager is a very expensive worker to train and supervise. If he is also very costly in terms of the wage he must be paid, then he will not be hired. The average white teenager is less costly to train and supervise and, at a given wage requirement, is a preferred employee for this reason. If the black teenager were allowed to work for a lower wage, employers would then find it worth the expenses of training and supervision to hire him.

Since the minimum wage makes the black teenager too expensive to be worth hiring, he is not only foreclosed from a job and frustrated for this reason, but he is also foreclosed from an opportunity to obtain a *relevant* education. The most important part of our economic education takes place in places other than ivy covered brick buildings labeled schools. We learn a great many of our skills in our early jobs. Since the black teenager has been foreclosed from a job by the minimum wage, he is prevented from obtaining the training which would make him a more productive worker: worth, and able to earn, far more than the minimum wage. He is doomed in adulthood by the deprivation of a job as a teenager.

Some people sneer at the jobs that would be obtainable at a $1.25 to $1.50 an hour as dead-end jobs. "What," they ask, "does a teenager learn in a job as a delivery boy, dishwasher, bootblack, stock boy, elevator operator, or messenger that equips him for a better paying job? How do skills such as these ever result in advancement in later life?" The answer is that some of the skills required to make the black teenager a more valuable worker are very rudimentary in character. He must learn to read a clock, to set an alarm, to get up on time and get to work on time, and find the transportation available for getting to work. He must learn to accept a supervisor's instructions and not to spit in the foreman's face, he must learn not to fight with fellow workers while on the job, not to engage in horse play when he is supposed to be carrying out an assigned task, not to let his attention lag when he is working around machinery, and to stick to a job for at least the full two hours between coffee breaks and meal breaks. The teenager has to be socialized. Employers are not going to provide expensive supervisors to socialize employees who are too costly to be worth the effort.

The failure to socialize black teenagers because they can't get the jobs where the effort will be expended that is required to socialize them is part of the reason that barbarism is on the rise in the black ghetto. The policeman is a last resort in socializing people. It is preferable that parents do the job. When parents fail, employers will do the job of socializing, if the teenager is not priced out of reach by minimum wage laws. But since they are, the attacks on teachers and the amount of vandalism in the black ghetto will continue to accelerate unless we repeal minimum wage laws.

This is a summary of the proposals I have put forward for ameliorating the ghetto problem:

1) Provide family planning service to those who would prefer having fewer children.

2) Repeal State abortion statutes and return to the common law on abortions.

3) Provide tuition vouchers to parents which they can use to pay tuition to any accredited school, public or private, and force schools to compete with each other for students.

4) Repeal minimum wage laws.

These actions would contribute to ameliorating the ghetto problem and improve the lot of our black citizens.

I should also add that the changes in policy I have suggested are not the whole answer to the ghetto problem although they are a major part of the answer. While we need a revolution in the attitudes of white people toward black people, part of the revolution would be produced by the enactment of these policy suggestions. A well-to-do, well educated, hard working black citizen will earn respect, however grudging, even from the red necks of Mississippi, the wool hats of Georgia, the crackers of Florida, and limousine liberals of Washington and New York.

On the other hand, our black citizens must also bear their burdens. If the high cost of ghetto life is to be reduced, they must cooperate with each other and with the police to reduce vandalism, eliminate terror in the streets and in the classroom, prepare themselves by obtaining the skills to fill the positions which will give them dignity and lead to the assumption of power instead of reacting destructively to frustration or supporting those who do. Constructive action is called for from black citizens as well as white. On this score, Black Muslims have contributed to the future of black citizens while Black Panthers have simply created road blocks to progress. Instead of attacking and alienating the police, black citizens should be constraining the hoodlums and the gangsters in their own community and supporting the efforts of their fellow citizens to save, to learn, to progress, to build. Instead of attacking the free market system and the institutions which have allowed them to do as much as they have for themselves, they should help make the economy even freer and help perfect the institutions which allow such a system to function. Prejudice dies as rationality is allowed to function, and one of the great virtues of a free market society is its encouragement and development of rationality. □

reason

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Box 6151

Santa Barbara, California 93111

ralph nader

One of the most intriguing figures on the current scene is Ralph Nader—self-proclaimed ombudsman, defender of the weak, and nemesis of the corporate/political Establishment. Conservatives cringe as he attacks giant corporations, while Liberals try to hide their guilt as Nader exposes their "public interest" programs and regulatory agencies as shams.

To libertarians Nader is something of an enigma. The "Nader Reports" on the federal regulatory agencies are replete with paens to the virtues of competition as opposed to regulation. Yet Nader's call for breaking up GM and other corporate giants—not for rights violations but merely because of their size—is disturbingly populist. Nader's confusion regarding economics, values, and individual rights is apparent from his writings (cf. "A Citizen's Guide to the American Economy" in the 2 September 1971 NEW YORK REVIEW OF BOOKS).

Perhaps most interesting (and puzzling) of all is the little-known fact that Nader began his career as something of a libertarian. As a young lawyer in Connecticut, Nader inveighed against subsidies and federal aid and strongly defended people's right to live lives unmolested by the state. The article that follows represents Nader at the height of his libertarian period in the early 1960s. It originally appeared in THE FREEMAN *and is reprinted here by permission.*

"Oppose a public housing project! You might just as well come out against Mother and Social Security."

In the face of this typical defeatist attitude, the rejection of a federal housing project in three successive referendums in Winsted, Connecticut, is of more than local significance.

The issue first arose in this New England mill town of 10,000 people in December 1957 when the local housing authority brought before a Town Meeting a proposal for 50 federal housing units. Despite public apathy, the proposal was defeated by the tiny vote of 20 to 16. However, it was re-submitted the following month and approved by a voice vote.

The townspeople seemed largely unconcerned through the next two years of preliminary preparations for construction. But in January 1960, a young housewife's letter in the local paper questioned the whole idea of public housing, pointed to some of the likely injurious consequences, and berated citizens for letting it be imposed upon them by default. In short order, 500 signatures were secured petitioning for a referendum on the project; and when the vote was counted in April 1960, after the largest referendum turnout in recent history, the project had been rejected two to one.

By then, however, the local housing authority had spent some $20,000 of federal disbursements; and housing proponents petitioned for another referendum, which was held in August 1960. The vote, even heavier than that of April, again spelled a resounding rejection.

The next move came when the federal Public Housing Authority called a meeting of selectmen and local housing officials to offer what it called a "redirected" program. The earlier proposal had involved 40 low-rent units and 10 units for the elderly. The new alternative was to reverse that ratio. And in some unexplained way, the adoption of the "redirected" program would also absorb the $20,000 otherwise to be billed against the town.

Their "concern for the elderly" prompted the slectment to call for a new referendum. On 28 April 1962, aroused but weary voters rejected the program for the third time—a most remarkable showing of integrity in the face of formidable pressure.

In Connecticut, the state enabling act for the creation of local housing authorities by municipalities sets the official tone. The statute declares that a serious slum condition exists, unrelieved through private enterprise. This supposedly justifies the use of tax-collected funds to provide housing accommodations. As in other states, local housing authorities are given autonomous status which shields them from both the town governing body and the voters and thus fails to encourage responsible action.

The statute is so drawn that the members of the housing authority, who serve without pay (which can be very costly), may delegate all powers and duties to the executive director. This had been done in Winsted.

The statute does not require that local housing authorities make any housing surveys or other studies before proposing

public housing. When the law itself encourages rather than safeguards against abuse and bureaucratic dominance, freewheeling and irresponsible projects are likely to result. Unrestrained by legal standards and used to public apathy, housing officials at federal, state and local levels are prone to assume that they need only decree a project to have it carried out.

Under the U. S. housing law, the local authority is permitted the use of federal funds to acquaint the public with any housing proposal. Prior to each of the first two Winsted referendums, the authority drew upon federal funds for newspaper advertisements in behalf of its program, for "progress," "growth," and "sympathy for one's less fortunate neighbors."

NEED FOR INFORMATION

A group of citizens sought to break the authority's monopoly of significant facts, requesting the selectmen to send the authority a list of questions concerning costs, consequences to the Town, and the alleged need for the project. But, secure in its autonomy, the authority rejected brusquely this bid for public information. Such agencies can maintain their secrecy with near impunity, since resort to the courts is expensive and time-consuming and seldom satisfactory, anyway, in suits against housing authorities.

To rely on the popular vote is not an entirely satisfactory alternative. A majority decision may be unjust, though democratic, and the rights of a minority may be violated. Moreover, the right to vote is impaired in substance when there is not access to information upon which to base judgment. Nevertheless, the referendum appears to be the only remaining practicable way for citizens to check the actions of housing authorities. Giant government has outgrown the capacity of the institutions designed to restrain its encroachments and abuses.

The Winsted experience revealed much lack of understanding as to how the lives of people are affected by public housing.

"I am against public subsidies but I want to get back our share of the tax dollar instead of having it go to some other city."

"It's free, so why not grab it?"

"We pay high taxes, let's get some of it back."

"This project doesn't cost the Town a red cent and it is being offered to us. Thousands of towns have low rent housing, hundreds more want it. Anyone who wants Winsted to grow and progress should vote for it."

Some tenants who had recently argued with their landlord thought the project would be "healthy competition." Others favored the project on the ground that it would bring more people, especially elderly couples, to live in Winsted. Finally, it was widely asserted that private enterprise would not do the "job" (not described) so public funds had to be used.

PRESENTING THE EVIDENCE

To inform the townspeople about the nature of the housing project was a difficult task. Common conviction and concern brought together a small number of citizens from various occupations. They set out, each in his own way, to talk about the project and why it should be rejected. By telephone, personal contact, letters to the local paper, they implemented their belief that right will prevail when given half a chance to be heard. What was their message?

1) Public housing involves an annual subsidy by local taxpayers as well as an initial and continuing subsidy by all taxpayers. Federal housing projects pay 10 per cent of collected shelter rents to the Town in lieu of taxes. This amount is usually one-tenth of what that property would pay in local taxes were it fully taxable. Consequently, an extra burden is shouldered by private property in the form of a higher property tax.

2) Public housing pushes private housing toward deterioration and away from expansion. The private sector must pay for public housing which, in turn, takes away their tenants from whom income is derived to pay the taxes in the first place. "It takes the fruits and chops the roots," as one old-timer phrased it. The more public housing, the more difficult for owners to keep their property in repair and the weaker the incentives for people to want to own their own homes. Instances were found where potential home owners held off buying until the outcome of the referendums was known.

A vicious circle begins to operate; as private property is undermined by public competition, private investment is discouraged by the threat of more public housing. As local taxes increase, the prospects diminish for new or expanding industry.

Public housing accentuates that which it professes to alleviate, creating conditions that will raise the call for more public housing. It will destroy the incentive to build new dwellings and to develop creative methods of private financing.

3) Consider the proposed project itself and the people who would occupy it—the drab, uniform, barrack-type existence. Living under the government as landlord neither teaches children the value of property (which is one reason why public housing deteriorates so quickly) nor produces the environment for the exercise of independence, self-reliance, and, above all, citizenship. Any government intrusion into the economy deters the alleged beneficiaries from voicing their views or participating in civic life. The reason for this goes beyond the stigma of living in subsidized housing. When public housing becomes, as it has over the nation, a source of additional patronage for local distribution to contractors, repairmen, and tenants, the free expression of human beings is thus discouraged.

4) The local housing authority was discredited by exposing its policies to the public. It had made no attempt even to produce a housing inventory before spending vast sums of money. It had never explored the possibilities of any private housing solution to alleged needs, but always assumed the public way. It viewed its function as obtaining more and more

public housing in spite of repeated referendums to the contrary. In this way, it was trying to wear down the voter.

5) An average of 75 decent dwellings for reasonable rent were shown to be regularly available in Winsted, where dwelling space per capita had increased over the situation ten years ago. A check of housing facilities showed quite the opposite of what the local authority had been alleging without substantiation.

6) Finally, there was the appeal to principle. People were asked whether Winsted should be like other towns who had succumbed to the Lorelei of "getting our share of federal funds before somebody else does." Would Winsted be different by being responsible, by showing community integrity? Is Winsted to admit that the resourcefulness of its citizens has reached the low level of rushing, hands unfolded, to the service state? It was discovered that holding people to high standards can bring about an encouraging response.

In summary, the approach employed to defeat the repeated onslaughts of public housing proponents was to explain the cost, the abuses, and the consequences to the Town. The steady bit by bit erosion of private property was clearly described along with the explanation of what private property contributes to the Town. All this required leg work, the tedious but essential job of reaching people and overcoming their apathy and "can't fight city hall" attitudes.

A VITAL LESSON

If there is a single lesson to be learned from Winsted's experience, it is that freedom, to be meaningful, must find direct expression in practice as well as in principle. Articulations of principles of liberty may provide the understanding, but these must be practiced to give freedom objective existence. Freedom is a process of being and becoming, in our laws and their enforcement, in our institutions and the purposes for which they are used, in our policies and methods and daily behavior. The faster our way of life changes, the greater the danger of service state dominance and the greater the need to strengthen the "tools of freedom." Principles have their noble pedestal in man's life but to defend their living substance requires continual citizenship in action. One must act, as well as articulate; and in each community the success with which these are fused will spell the gain or the loss of the blessings of liberty. □

A Maunderin tongue in a Pounderin Jowl

amidst the
tea cup ash
of vera zasulich
i find myself about
to embark
upon arterial
super-studies

one cup of tea less
might have
drilled
her head stone (but
she was somehow of
the wrong party at
the time of parting)

poor dead
rockwell kent
even
tried to find
vera's words
(for me)
in the heart of the
kremlin
(vatican)
to no avail

i have seen both sides now
i left the winner
only to see the
top
man
kow
tow

the joust a tv jest
potomac fever a
deadly poison
the cure is not
peking duck
lest the man in the white house
(our president)
king/queen/ruler

know what i mean
allow me the
tea
cup

confucius
(half-back
at
some school
for chinks)
called the huddle
signal

To seek and not find
as a dream in his mind,
think how her robe should be,
distantly, to toss and turn,
to toss and turn. *

you dare the
ny times analysis
of your quarterback
ability
and hope to
Bang the gong of her delight **

both sides
laugh
laugh
laugh

and i
(the poor poet
seek Po-Yü)
as you dine on the
carcass
of
china

a note

the title is from Joyce in Finnegan's Wake

vera zasulich was a russian revolutionary who shot the police chief of petrograd. the jury found her innocent of the crime and she fled to england where she became a close collaborator with lenin and trotsky. vera was a fantastic woman and my research would lead me to believe that she had an affair with trotsky. but, we do know that she once told lenin's wife that when she died all they would say was "one cup of tea less."

rockwell kent was an american communist who painted a vast number of socialist realism paintings.

Po-Yü was the son of Confucius

Book 1 refers to the historically vital *CLASSIC ANTHOLOGY* these are the odes and the living tradition of Chinese poetry.

further notes

the tea cup refers to Alice

i fear that i cannot explain the confucian odes only the reader can attempt to jump the chasm between the chinese ode and nixon's ego.

Phillip Abbott Luce

* *Book 1. Chou and the South (Kuo Feng)*
** *Ibid.*

the limits of "urban dynamics"

william p patterson

Much has been written in the past two years about *URBAN DYNAMICS*, a book which applies systems analysis to the problems of growth and decay in our cities. Liberals have damned it because it questions the value of their cherished programs for helping the poor; some libertarians have championed it because the book's conclusions—though arrived at by different means—seemed to support their opinions about the usefulness of government programs. Although I will discuss these conclusions in this review, my primary focus will be on the author's *methodology*. The author, Jay W. Forrester, Professor of Management at MIT, initially applied his modeling techniques to corporations in *INDUSTRIAL DYNAMICS* and most recently to global problems of population and resources in *WORLD DYNAMICS* (see "Counterintuitive Behavior of Social Systems," *REASON*, July and August 1971). *URBAN DYNAMICS* deals with an area of intermediate scope, the urban community.

Notwithstanding well-intentioned criticisms of the whole idea of "modeling" and "social systems," carefully thought-out descriptions of socio-economic relationships (i.e., models) deserve attention in that they provide a systematic way to think about complex relationships and even to predict future developments. Dr. Forrester's *approach* (if not his specific methodology and early conclusions) gives promise of being developed into a useful scientific modeling technique. Thus, although much could be said pro and con about the urban model's conclusions, it would be more profitable to concentrate on improving the general modeling approach. Forrester acknowledges the preliminary nature of his work, in referring to *URBAN DYNAMICS* as "more an opening of a subject than it is a package of final results and recommendations. The primary objective is to improve our understanding of social systems." Despite this caveat, however, he then goes on to draw conclusions, citing his model as the authority.

MODELING

In brief, what does the model depict? The urban community is defined as a system of three interacting variables (or levels, as Forrester calls them): industry, housing, and people. The specific land area of the city, a limitless surrounding environment, and the city's relative attractiveness to people control changes in the levels of industry, housing, and people. The initial values of land area, family size, etc.—quantities routinely measured by social scientists—are assumed at the outset. In addition, the fundamental relationships by which the levels of the different variables change over time are also hypothesized, in Forrester's a priori approach.

Much as in the electromechanical systems Forrester originally studied as an electrical engineer, a set of initial values is assigned to the "level variables," and these, together with the structural relationships and parametric values, are used to compute the changes in industries, housing, and people over some period of time. The model's equations produce a series of changes in these variables over time until the values of industry, housing, and people stabilize, i.e., reach a constant level. Forrester calls this 250-year process "growth and stagnation" and claims that the model explains why our older cities are stagnating.

Having done this, Forrester then goes on to examine four typical government programs aimed at improving urban conditions, "implementing" them with the model by simulating their effects when applied to the model set at the stagnant condition. These programs are 1) creating jobs for the underemployed, 2) training the underemployed, 3) subsidizing welfare and education, and 4) building low-cost housing for the underemployed. All four programs give unsatisfactory results and, after some short-term improvements, make conditions worse than before. After exploring some other policies via the model, Forrester concludes that urban revival requires demolition of slum housing and its replacement with new business enterprise. (these conclusions should come as no surprise to readers oriented to laissez-faire and nonintervention-tionist policies.)

Those who are interested in the details of these results should read *URBAN DYNAMICS*. The results have been reviewed extensively elsewhere (e.g., *FORTUNE*, November and December 1969); indeed, it has been the results that have attracted the attention and provoked the controversy, despite Forrester's admonitions that the results can be no better than the structure of the model and the data that went into it. Readers who wish to use these results in support of previously-held convictions must be familiar with the underlying assumptions and model structure if they are to be able to defend their position. (And it should be noted that Forrester's model is quite different from the relationships described by both Jane Jacobs and Edward Banfield, whose *policy* recommendations are nonetheless somewhat similar to Forrester's.)

METHODOLOGY

What, then can be said of Forrester's method? In all his work he uses, without improvement, the original closed-loop level and rate methodology developed for *industrial dynamics* 13 years ago. (One suspects that perhaps the investment in computer programming precludes changes that would significantly generalize the models.) The methodology stems from modeling techniques used for deterministic electromechanical systems. It deliberately does not employ strucutral and parametric data which could be developed by empirical observation, principally in the social science area. One might say that Forrester's philosophical approach is rationalist rather than empirical (or in sum: that reason amplified by the computer can explain the external world). Because of this, Forrester's work is open to strong criticism by social scientists, whose modern-day work is almost entirely empirical.

Forrester's reply to this criticism is that social scientists measure parameters (static values of isolated parts) rather than structure (dynamic relationships between parts), and since parameters do not control system behavior, as structure does, he is justified to some degree in ignoring their work. Relationships or structure can be quantitatively determined on an empirical basis if you know what you are looking for, namely the system dynamic model, not extant social science models.

REDUCTIONISM

In emphasizing structure over parameters (i.e., dynamic relationships among parts resulting from thier interconnection rather than static measures of the parts) Forrester breaks with the prevalent characteristic of most modern scientific disciplines: reductionism. Reductionist scientists examine parts separated from the whole or parts existing in a constant or controlled environment. In the real (nontextbook) world, parts do not exist separate from one another or in unchanging environments; they are connected to each other and changes in one part affect others, causing them to change also. (A bit of reflection demonstrates that parts related in one way behave differently from the same parts related or connected in other ways: if you took your TV set apart and put it back together connected differently, you could hardly expect it to operate the same way as before.) In this sense there is more to the whole than the sum of a set of parts. What also exists is the method of interconnection, and there can be many different possible sets of connections for any given group of parts, each set becoming a separate system. The set of connections, as well as the parts, gives the system its properties and its characteristic behavior.

Forrester states that "complex social systems bring together many factors which by quirks of history have been compartmentalized into isolated intellectual fields." Although he never refers to reductionism by name, it is that that he and a few other pioneers are challenging (see, for example, the lead editorial in *SCIENCE*, 9 July 1971). Isolated intellectual fields are not quirks of history; they are representative of an operational philosophy of science which is widely held and will be staunchly defended. Since these isolated fields constitute "intellectual territories" (cf., Robert Ardrey's *TERRITORIAL IMPERATIVE*), they will be defended by interested specialists who will resist generalists' integrating them into structured system models. This may help explain Forrester's reluctance to use social science data in his work, preferring to be criticized for antiempiricism rather than be accused of intellectual claim-jumping. However, he goes on directly to attack reductionism by saying "the barriers between disciplines must melt away if we are successfully to cope with complex systems . . . . The interactions among these are often more important than the internal content of any one alone. Yet if these separate disciplines are isolated in our study and in our thinking, the interactions will never come into view."

FEEDBACK LOOPS

What does Forrester propose as the structure of social systems? He depicts variables, such as industry, related to one another in complex "loops" wherein a change in one variable causes changes in other variables, and so on throughout the system, until eventually there is an effect on the original variable. Hence the term "feedback," as each change eventually feeds back upon itself. Forrester finds that complex systems have the following characteristics:

1) counterintuitive behavior,

2) insensitivity to change in many system parameters,

3) resistance to policy changes,

4) possession of a few influential pressure points which can cause changes in system behavior,

5) compensation for externally-applied corrective efforts,

6) long-run reactions opposite to short-run, and

7) tendency to low performance.

An understanding of most of these characteristics can be gained from a simple example familiar to all of us who live in a developed culture. Consider a building served by a powerful heating and air conditioning plant controlled by a thermostat. Suppose an intelligent individual from an underdeveloped culture found himself in the building and noted that it was too hot while the weather outside was cold. He would take the obvious action and open a window. Suppose further that the window is near the thermostat and the resulting draft of cold air strikes the thermostat (of which he is totally unaware). Now the powerful heating plant comes on and brings the temperature in the vicinity of the thermostat up to its setting. The rest of the building will get hotter instead of cooler. Our individual will find the complex building system behaving counterintuitively by internally compensating for externally-applied corrective measures. Its long-run reaction will be in opposition to the short-run, and our individual will be at a loss as to what to do next.

In the terms of Professer Forrester, the room temperature is inside the loop and any changes are removed by the homeostatic action of the heating and air conditioning system. It is necessary to find the "influential pressure point" which, in this case, is the thermostat. In general this is a variable which is not inside the loop, i.e., one which when changed affects other variables but which is *not* affected by the changes in these variables. In our simple case a change in room temperature can be caused by a changed thermostat setting, but the room temperature does not in turn cause the setting to change. The setting is outside the loop.

Forrester's models, while far more complex than the one just described, contain no variables outside the loops. (In every case a change in a level changes a rate which in turn sooner or later changes the level.) Thus, they are like modeling the temperature-controlled room without considering the fact that the temperature is controlled by the thermostat setting. It follows that the behavior he discovers *must have* the characteristics that it has. Epistemologically, *the complex system characteristics noted by Forrester are characteristics of the model rather than of the real-world system.* The control features of the system have yet to be found and added to the model in order to find a way to make it change its performance to one that is more desirable, rather than just reacting to maintain its present equilibrium. Forrester's present models are only a start, as they show only the performance of the variables in the loop.

There is reason to believe that the variables outside the loop which control the behavior of social systems can be determined on am empirical basis, by using computers to analyze the performance of actual social systems to determine the system structure. Once this is done the real-world variables outside the loops can be located and the necessary action taken to modify the situation from what now exists to one that is more desirable. (A description of such an approach is beyond the scope of this review.)

Thus, future extensions of Forrester's work offer the hope that we can determine the changes in our social and economic institutions necessary for individuals to lead lives of their own choice in acceptable environments. Much work of a fundamental nature remains to be done. However, a significant start has been made to exorcise the old tradition of reductionism and to see the social interconnections which affect all of our lives and the changes of our environment. The next step is empirical determination of many of these interconnections and identification of the variables or relationships that can act as pressure points to bring about desired changes in our social systems. Hopefully, libertarians rather than statists will be the first to discover and utilize such pressure points, to bring about a more free society. □

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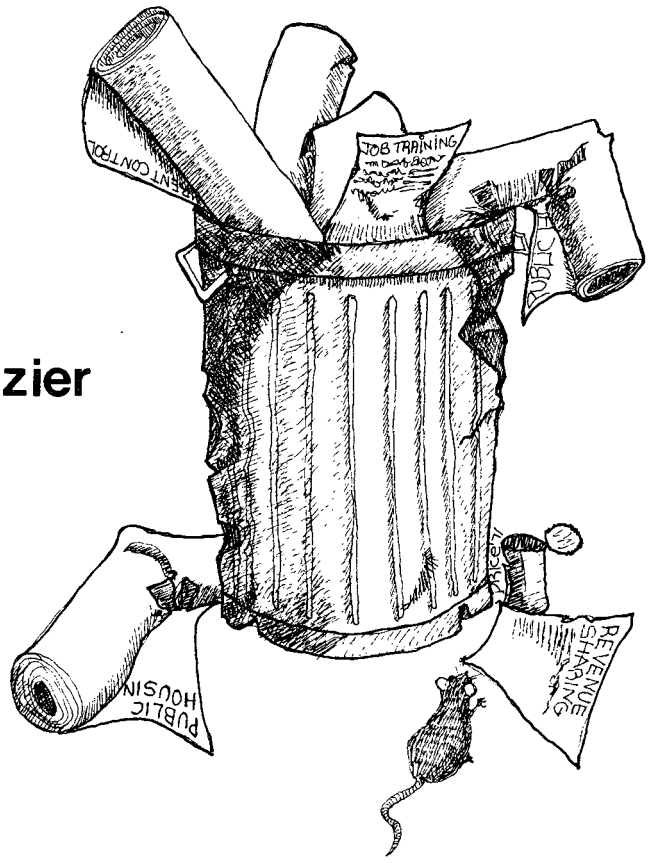
William P. Patterson is a management consultant with many years of experience in systems engineering, marketing, planning, and organizational design. He holds a BS in mechanical engineering from Lehigh University, and both MS and PE degrees in electrical engineering from MIT. In addition to his consulting work, he is currently president of Terraqua Products, Inc., in San Pedro, California.

a brief interview with jay w forrester

mark frazier



Last May, as men who have made careers out of urban affairs converged at the "Conference on Cities," in Indianapolis, a distinctly heretical voice was heard by those in attendance. In the midst of appeals by Mayor Lindsay for massive federal revenue sharing and demands by Mayor Stokes for a huge federal housing subsidy program, a widely respected Massachusetts Institute of Technology professor, Jay W. Forrester, argued that the "goals, values, and morality" behind such policies had to be reassessed.

"We must rethink man's responsibility to man," Forrester told the audience. "Is one to be his brother's keeper, regardless of how that brother manages? Suppose a nation controls its urban processes so that it achieves an equilibrium society that remains at a high standard of living. Is that nation obligated to share with a neighbor that overloaded its resources and drove itself to a subsistence level of existence? If so, there are no incentives for anyone to act for the future. To make the best of the future requires restraint, self-discipline, and intentionally increased pressures in the present . . . Such reasoning runs counter to modern trends. But we must be willing to question the moral and philosophical underpinnings of our social policies. Those foundations determine the present actions that create the future."

Contributing Editor Mark Frazier contacted Professor Forrester last June and asked him four brief questions. These questions, and Forrester's answers, appear below.

REASON: In the event that the conclusions of *URBAN DYNAMICS* are not acted upon, what changes in the political and economic structure of this country do you think might take place?

FORRESTER: The political and economic changes that will occur if the conclusions of *URBAN DYNAMICS* are not acted upon cannot be separated, as the balance between them is too delicate. Continual deterioration of cities will further concentrate the poor in urban areas and push the rich into exurbia leading to greater polarization across economic and racial lines. There will be eventual refusal to continue the dole, by the elctorate. Productive enterprise will be driven out of the cities with "new towns" growing close to employer's new locations. Disillusionment will arise over traditional values and procedures, and disenchantment with the "intellectuals" who did not do useful thinking about the nation's most conspicuous problem. All of these will push a greater swing to the political right.

REASON: To what areas will you be applying systems analysis in the near future?

FORRESTER: In the near future, with support for the training of competent professionals, we can apply system dynamics to such urgent problems as the welfare system, health care delivery, economic development, and regional planning.

REASON: What sort of reactions did you get to your Indianapolis speech?

FORRESTER: The Indianapolis speech provoked a dialogue which could have constructive results, at least it focused attention on some real issues. Many recent visitors to this group agree with the long-term conclusions but were at a loss as to a current approach. Consequently they were motivated to look more deeply into the merits of our approach.

REASON: If there is one lesson that has stood out most from your experience with social and economic systems, what is it?

FORRESTER: The most important lesson to be learned from the behavior of social and economic systems is that behavior can be modeled and understood and that we can control the future direction of behavior by applying proper pressure at sensitive points within the system. □

the sky is falling

check one....

true ☐

false ☐

michael etchison

It's always embarrassing to prophesy doom and have the world come up with only a measly few arguments and scuffles. To friends and relatives I said, the evening of August 15, "I wouldn't be at all surprised if the stock market dropped 50 points tomorrow and 500 by the end of the week." There was more along that line, all gloomy.

So what happened is history, and it ain't what I said. True, I did half-way cover myself by saying, every third or fourth sentence, "It all depends on how gullible the American people are. They swallowed an awful lot from Roosevelt, and it's possible that they'll allow themselves to be persuaded that a wage-price freeze is the best thing for the home of the brave since—what?"

In truth, I never expected anyone to be this gullible. At my most wildly optimistic I thought people might wait and see, but as I write the Man in the Street (both Main and Wall) seems to be saying that it's about time somebody did something to stop inflation.

I had an elaborate scenario worked out, August 15th, and in order to explain away some of the egg on my face, I pretty much have to go through all of that again, recognizing that to do so also reminds one and all of the inaccuracy of my prediction.

So, before I do the scenario, let me recapitulate some basic economic truths. Basic, not popular. Even M. Friedman in *NEWSPEAK* refers only vaguely to them, and it is clear from the kinds of things both advocates and enemies of the freeze are saying that they do not argue from these truths, may in fact never have heard of them.

COST—"WORTH"—PRICE

First, a thing is worth what buyer and seller compromise on. That's an analytic definition. Obviously, thing A is worth to the seller less than the purchase price, or he would not sell; it is worth to the buyer more than the purchase price, or he would not buy. Analytic definitions have, heaven knows, their disadvantages, but they are as nothing to the practical and theoretical disadvantages offered by all other notions of value in other economic theories.* The only important thing which my theory (called the "subjective valuation" theory or some such) does not offer is a basis for saying that such and such is a "fair price" or "the real value" or the like, and that sort of judgment is after all usually a moral, not an economic, one.

*The labor theory of value, for example, stands only so long as one overlooks the clear difference in "value" of different kinds and degrees of labor.

This being so, it follows, again analytically, that, interferences with the transaction between equal, free bargainers results, by analysis, in a lessening of at least one's values. In other words, when I want to buy ice cream for a dime and you want to sell, but Harry says I must pay more, or less, or he rations ice cream, or forbids its sale, he is depriving either you or me of the benefit which was expected from the deal—and he is probably hurting both of us, assuming we both wanted to deal.**

Another truth, ultimately derived from the first: If you and I, instead of swapping directly, swap indirectly by the use of money, then the "value" of the money is set by what it will get us. It seems only fair, then, that money should at all times be "worth" the same to everybody. My dollar should buy what yours buys. In real life, however, as is known, it doesn't work that way. There are those, and they are everywhere, who seem to be saying that you could make money worth less by paying me more. The proposition is never stated that baldly, but I have never seen it boil down to anything else. Isn't that what all the "wage-price spiral" stuff means?

**It is not implausible that "unfair price" might mean something in an emergency—but not from the causer of the emergency.

Anyway, the notion is given currency (pardon) that money becomes worth more or less because of actions of individuals in the market. If, that is, there are 500 actual dollars in existence at some period of time, and a lot of people raise their prices (regardless of whether anyone produces more or less), then each of those dollars will be "worth" less. So far, the notion is unobjectionable. What is peculiar is the accompanying notion that *everyone* will be *able* to raise prices and the same quantity of actual goods and services will still be sold. If I have 30 of those 500 dollars, and everyone raises his prices, then I will be able to buy as much (in percent) as before, only I will have to pay more, runs the argument.

Nonsense. The only way that my 30 dollars could be worth less (or, equivalently, that all prices could rise) would be for the 500 dollars to increase (without an accompanying change in goods, etc.), following which, clearly, if I don't get *my share* of the increase, my stock of money will be worth less. Wherever the new dollars come from, if they are instantaneously distributed proportionately to all holders of old dollars, all that happens is that all prices go up instantaneously and proportionately.

REALITY IMPINGES

In anything like a real world it doesn't happen that way. To start at the end, it is damned near impossible to imagine a way for everyone to change his prices simultaneously, instantaneously, and exactly proportionately. Clearly, some people will be able to pay debts with new dollars at old dollar prices and sell at new dollar prices—meaning that someone else will be paid new (cheap) dollars for old (dear) dollar debts, and someone will have to pay new dollar prices from an old dollar treasury. The first people to get the new dollars, or the news of the change, will gain, at the expense (necessarily and directly) of those farther down the pipeline.

That's the inflation story, and that's all there is to it. Even some textbook writers have heard of it, however much they push other stories. The derivation from the first truth should be clear: the source of additional dollars cannot just say, "My dollars are worth exactly what the 500 dollars are each worth, and everybody will so regard them." Why, after all, *should* anyone so regard them? Each holder of a new dollar will regard his dollar, at least for the moment, as exactly equal to all the other dollars, and the only difference it will make to him will be that he can afford to pay a little more for what he wants. When the holders of new dollars are aggregated, clearly they will bid prices up, not because of any change in the "worth" of the things bought, I remind you, but because of a change in the quantity of the medium of exchange, which itself is, qua medium of exchange, valueless—few treasure money for its own sake. The difference between backed and fiat money is irrelevant here. If you insisted, you could call the rise in prices "inflation," just as you could call a fever an infection.

WHENCE MONEY?

So far I have avoided concrete references to the issuer of the new money. One reason is that in an unimpeded economy, chances are there would be several issuers of money, and someone who insisted on issuing new money would lose favor with those to whom his money is offered: who would take money that would be worth less by the time he wanted to spend it? (This is remotely the case in the international money market now, or it would be if the United States didn't have enought clout to keep others in line, and the others weren't scared shitless what would happen if the United States wobbled.) The other reason is drama. Enter the State.

If you issue money, and prohibit competition in the field, you have an important power. You cannot, as we have seen, make anything (besides money) *really* "worth" more or less—only buyer and seller can do that—but you can, by issuing new money, benefit the first in line at the expense of those at the end of the line. Being first in line would be important, and a lot of folks would do right by you to see that they get firsties.

That, of course, is what the State does, and these days it is one of that institution's most important functions. Using among others the device of the "budgetary deficit," the contemporary State gives new dollars to some so that they will have an advantage over others. For public relations purposes, the State is unlikely to go to the trouble of informing the hind-teaters of how these things work; if it wanted to do that, it would have gone ahead and taxed them directly. Everybody objects to taxes, though, but few are willing to foreswear a system in which they *might someday* get front-teat rights. (Even a rigged lottery would be a more honest way of filling State coffers.)

Anyway, even the most short-sighted hind-teater notices sooner or later that he is getting scrawnier and scrawnier while some of his siblings get fat and sassy, and all the while the teats get harder to reach. He squels, and the head pigs ring another change on their propaganda bells. They might say, "We shall forbid prices to rise." Piglet is content.

I am reminded of the famous cynical comment on law (Voltaire's?) that the law is just because it forbids rich and poor alike from sleeping under bridges. A wage-price freeze of the best kind, i.e., one actually accompanied by an end to inflation, merely puts an end to hopes of future privilege for those at the front; it does nothing for those at the back but assure them they will fall no farther behind. Big deal.

OUR FREEZE

Our wage-price freeze, of course, is not of the best. Nobody has made a sound about ending deficit spending (nobody has admitted knowing that's where the problem comes from). New dollars continue to pour in. No new resources, physical or human, have been created by Nixon's edict.

Now we can discuss my embarrassment. This is how I saw it:

Businessmen are prohibited from raising prices. Not counting the tax break Nixon is trying to offer them, the only way a business can increase profits under the freeze is to reduce costs. It is unlikely that anyone's suppliers will suffer a fit of generosity and lower prices unless someone farther down the line lowers his, and so on. Unlikely. So the only cost that can be lowered is labor.

Okay, so the boss will go to his workers and say, "I've got to lower costs, and the only one I can move is labor, so what do you suggest?" Is it likely that the workers will cry out in unison "Lower our wages!"? In fact what seems most likely is that the boss will bump off a few of his least valued employees (by union rules, chances are that means those with least seniority, although of course pull will help), and even so outrage will be expressed all over the place. Also, people will be out of work.

People will be out of work in increasing numbers. That means there will be fewer people able to buy things, which means that producers will have fewer sales, which means they will have to cut back more. On and on. (If the price of labor were elastic—if it could go down as easily as up—this aspect of the problem would vanish in a new equilibrium, assuming no further inflation.)

Several things will happen as unemployment spreads, (besides the self-feeding). Most notable among those things will be an increasing clamor for some kind of State activity to help the unemployed. Something along the lines of a WPA would probably be less unpalatable to Republicans, if there are any left, than a straight *dole*. The result is the same: someone who is working has to pay, in straight taxes or in more inflation, for those not working.

And guess what—thanks to the dislocation caused by taxation, and the inevitable bureaucratic leakage, national demand will drop even further, which will accelerate that particular cycle yet more.

In addition, some of the taxes will come, directly or indirectly, from producers, meaning another increased cost, meaning—you're getting ahead of me.

FIRST, A MESSAGE . . .

Let's change the subject for a moment. In fact, let's have another economics lesson, this time about banks. You probably always thought that a bank was basically a place where money is kept. Wrong again.

If that was really what a bank was, then everyone who has money in a bank ought to be able to go, everybody all at once, and get all his money out. But it doesn't work that way. Oh, no. There's nowhere near enough money in any bank. Thanks to a special dispensation of the State, a modern bank is only required to keep a small fraction of deposits on hand. This sleight of hand is called the fractional reserve system by most; really, it's fraud.

The purpose of the fraud is clear: to give bankers and their friends more money, and effectively free money at that, to play around with. The appeal of that is obvious. What is not so obvious is why anyone not a banker should put up with it. The answer is that the rest of us are assured that no bank will run out of money, at least up to a certain limit, thanks to the creative powers of the Federal Deposit Insurance Corporation. Those powers can be summed up in two words: *printing press*. The FDIC does not itself have a stash of money to pass out to member banks in trouble. It simply puts in an order at the Mint.

EITHER THE WATER'S RISING, OR WE'RE SINKING

In ordinary times, when there is no drag on banks, that makes no difference. The FDIC does have a small stash, and a little overtime at the presses doesn't make much difference in the regular flood. However, when a lot of folks are thrown out of work and have to begin drawing on their bank accounts to keep nose above water, things change. It is not impossible that a bank would run out of liquid reserves.

At that point, the bank has two possible courses, and it might well take both. It can appeal to the FDIC. It can call in outstanding loans.

These loans in general go to two classes: individuals and businesses. Individuals, in this scenario, are becoming unemployed, that is, unable to pay debts. Businesses take out loans in expectation of increasing revenue (that, of course, is why banks offer loans). When a business finds itself forbidden to raise prices, and, according to our scenario, facing declining sales, it may well find it difficult to pay back loans. Thus, banks will find their reserves shallower than they might have expected, and the FDIC will get more calls, passed on immediately to the master of the presses.

Before we continue with the descent down the spiral, another digression, back into inflation. The wages and prices that have been frozen are money wages and prices, not real ones. If a loaf of bread went for 30 cents during July and August, then it will go for 30 cents until hell unfreezes, regardless of how much "money" is around. If the amount of "money" doubles, that effectively halves the value of each unit. For buyers, this is a (temporary) bonanza: the 30-cent loaf sells for 15 "real" cents. On the other hand, for the seller, this is not such a good thing. He has to take 15 cents instead of 30.

It may be objected that the seller after all can replenish his stock using new money, so he doesn't lose. However, when the value of "money" changes, economic calculation gets tough. Does one keep an inventory by old prices or new? If there is a freeze, how long does he plan on the freeze's continuing before economic reality catches up? If there is no freeze, how does he forecast the rate of inflation?

The chances are good that, because of this indecision, a business might well hedge on inventory.* Whether or not there's a freeze, there's a good chance prices won't keep up with the actual inflation (still because of the uncertainty). Demand, in short, will outstrip supply, with the usual consequence: prices rise. The trouble is that money prices are held back, by inertia or the freeze, and so would-be customers must find some device besides money to satisfy their demand before the supply runs out. When there is rationing or a freeze, this activity outside the formal price mechanism is called the black market. The more effective the controls, the more active the black market: have you tried to get a "rent-controlled" apartment in New York City recently? (For that matter, a queue is simply another find of price: time is money. Those willing to wait in line outbid the others.)

Back to the main story. So far we have rampaging unemployment, plummeting sales, raging inflation, collapsing banking, and epidemic "criminality" in the black market. There is more.

PARANOIA

After a while, those who are still employed will get downright paranoid about their future. Unless Labor loses its political touch, there will be a great demand for some kind of job guarantee or firing freeze or whatever euphemism may be called on. (Many a union strike has been called for exactly this kind of motive, after all.)

What happens to the employer then? He cannot raise the prices on what he sells. His suppliers will be unlikely to lower their prices to him. He will no longer be able to reduce labor costs by laying off people. Sales and revenue will be dropping. Taxes will be climbing. Bank loans will be unavailable. Economic calculation will be fantastic. Some employers *must* go out of business.

This, of course, increases unemployment and reduces bank resources (assuming any loans outstanding). It also further reduces supply, putting even more pressure on buyers to enter the black market.

The consequences of widespread bankruptcies will be so evidently unpleasant that the public will demand the only reasonable thing: not, don't be silly, a move towards a free market, but a *bankruptcy freeze*. Employers will be required to stay in business. The possibilities for bureaucratic empire-building this would make possible, as exceptions are auctioned off, boggles the mind. Those employers who can manage it, or those who are afraid to buck the system, will stick it out as well as they can, scrambling for any subsidies available. Those who can't will head for Galt's Gulch. They'll make themselves hard to find.

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*Laborers are especially trapped. A worker can not very well raise or lower his inventory of labor. In the aggregate the supply of labor changes, but for the individual it's pretty much fixed—and he can't very easily even keep it off the market temporarily. A fallow worker starves.

In the meantime, there is the foreign market to consider. The import duty and the devaluation will to some extent offset each other. However, once the spiral begins, all the factors which make economic calculation and transaction difficult domestically will operate at least as strongly internationally. Furthermore, monetary systems parasitical on the dollar will collapse, compounding the difficulty. Americans will realize how much of what they buy—not just Italian shoes on their feet and German cars on their streets, but Japanese nails in their houses and Indonesian spices in their food—is imported, and they will realize how much *that* well provided only when it has gone dry.

All through the process, as I have indicated, there will be bureaucratic fortunes to be amassed by the creation of exceptions, subsidies, doles, and priorities. Whether those fortunes are monetary or political is irrelevant: what is this process but the ultimate politicization of economics?

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trends

This column reports significant events, publications, and analytical findings associated with the growing rejection of corporate liberalism and the concurrent rediscovery of laissez-faire principles. By reporting and publicizing such items, the REASON community can help ensure that they do indeed represent trends, not merely isolated instances. Readers are invited to submit material for this column.

THE LIGHT DAWNS ON BROADCASTERS

Earlier this year several people involved in radio and television news began to question the wisdom of the government's control of the media via the Federal Communications Commission (see "Cronkite's Crisis," in Trends, *REASON*, February 1971). Since Walter Cronkite's courageous speech last year before Sigma Delta Chi, the conspiracy of silence has been broken. The president of ABC Radio, Walter Schwartz, charged in February that the FCC has "taken on the characteristics of the Great Inquisition . . . . We are all on trial and the fires of purgatory have been lit for us." Further, he charged, "As broadcasters we are the most vulnerable, for we have been subject to a regulatory body all along—one that, in keeping up with the trend to tear at the structure of the entire business establishment, sees itself in a new and more powerful role." Schwartz suggested that a proper design for the FCC's new seal of office might be "an unfurled whip against a background of red ink."

The next round came from James Reston of the *NEW YORK TIMES*. Though not a broadcaster, Reston pointed out the mockery of freedom of the press entailed by FCC regulation: " . . . radio and TV editors are not quite so free [as newspaper editors]. They are under government license. They use 'the people's airwaves' (as if the newspapers didn't use the people's streets and interstate highways), and they operate under different rules. They must submit to an official 'fairness doctrine' which is a government and not a professional journalist's standard. It is enforced by a government licensing agency. The radio and TV people must answer when the FCC inquiries are made, and truth is not necessarily a defense."

Most recently Walter Cronkite again took up the cudgels, this time before a Senate hearing on press freedom called by Senator Sam J. Ervin. "Broadcast news today is not free," he said, "because it is operated by an industry that is beholden to the government for its right to exist; its freedom has been curtailed by fiat, by assumption, and by intimidation and harassment." The solution? Stated Cronkite: "*The cleanest and perfect solution would be to eliminate all governmental control of broadcasting.* The time is past when there can be any legal justification for controlling broadcasting's program content."

But what about the "need" for the FCC? The UPI story went on to say that Cronkite "dismissed as 'myths' the belief that federal control of broadcasting is necessary because there are so few frequencies and channels available, and to guard against monopoly control of the airwaves." It is ironic that Spiro Agnew and company seem to be (inadvertently) accomplishing what a decade of libertarian rhetoric did not—awakening broadcasters to the absurdity of federal control of the airwaves.

SOURCES:

AP dispatch, 17 February 1971 (Schwartz quotations).

"TV News Should Be Defended Too," James Reston, *NEW YORK TIMES*, 14 April 1971.

"End to Federal TV Control Urged," UPI, 30 September 1971.

For a detailed proposal to establish a market in radio and TV frequencies, see "A Property System for Market Allocation of the Electromagnetic Spectrum," A.S. DeVany, et. al., *STANFORD LAW REVIEW*, Vol. 21, June 1969, pp. 1499-561. For background, see "The Federal Communications Commission," R.H. Coase, *JOURNAL OF LAW AND ECONOMICS*, Vol. 2, October 1959, pp. 1-40.

ANOTHER LOOK AT RACIAL BALANCE

It isn't only blacks and Chicanos who are questioning the wisdom of federally-forced racial balance in public schools. In San Francisco thousands of Chinese parents and students are defying court orders and refusing to cooperate with a court-ordered bussing program. During the first few weeks of school, a near-total boycott of public schools took place in Chinatown. Prior to the opening of school, Chinese parents had appealed to the Supreme Court to no avail for an injunction to prevent the bussing. That action was the first non-southern desegregation case to come before the Court.

As in many black and Chicano neighborhoods, the Chinese in this case have no desire to be forcibly assimilated into middle-class Anglo culture, preferring schools which maintain a familiar ethnic atmosphere and cater to the particular needs of the Chinese community. A spokesman said that "their culture would be endangered if Chinese children were bussed long distances" to attend Anglo schools.

Since their plea fell on deaf ears in the monopoly public school system, the Chinese parents took the logical step of opening their own schools. By the third week in September over a thousand Chinese children were attending four new private neighborhood schools. James Wong, of the Chinese Parents for Quality Education, stated, "We were forced to open these schools because of the strong desire of parents for a free choice of where to send their children." In keeping with the State's concepts of equity, these Chinese families will, of course, continue to be taxed to support public schools. At least for the present.

SOURCES:

"Chinese Parents Challenge Massive Desegregation Order," AP, 18 August 1971.

"Parents in Chinatown Keep Children Home," UPI, 14 September 1971.

"Chinese-American Community Forms Schools in San Francisco," AP, 21 September 1971.

PRIESTS DYING OUT?

If present trends continue, the Roman Catholic priesthood "may not survive as a viable force in our society," according to a report on manpower trends prepared for the October Synod of Bishops in Rome. The study found that whereas in 1965 the Church was ordaining 10 priests for every 7 lost (through death, retirement, or dropping out), by 1970 the situation had dramatically reversed such that for every 10 ordinations, 23 priests were lost. Moreover, the median age of priests is steadily increasing.

SOURCE:

"Effectiveness of Priesthood in Jeopardy," John Dart, *LOS ANGELES TIMES*, 19 September 1971. □

publisher's notes

• BARRON'S HITS FCC

REASON editor Tibor R. Machan was referred to in the 20 September 1971 issue of *BARRON'S*. The country's most important financial weekly began its "Editorial Commentary" by noting that "Tibor R. Machan was just four years ahead of his time. In 1967, as he recounted here (*BARRON'S*, 22 April 1968), the young student of philosophy decided to see how far the so-called Fairness Doctrine, which the Federal Communications Commission had just ruled applicable to cigaret advertising, might go . . . . 'One category of TV commercials which fairly cried out for the "fairness" of counter-argument is that of "public service" advertising—on behalf of controversial government programs, ranging from Savings Bonds to the Peace Corps . . . '"

BARRON'S editorial went on to point out the incredible confusion which now exists within the legal geography of TV and radio broadcasting. Mr. Bleiberg, signer of the editorial, refers to Edith Efron's latest book, *THE NEWS TWISTERS* (Nash Publishing Co., 1971), to point out what the Commission has apparently been oblivious to, namely the sustained liberal-leftist bias in network news reporting.

We are glad that *BARRON'S* remembered editor Machan's prophetic article. Nevertheless, we are disturbed that *BARRON'S* chooses to chide the FCC for ignoring network news bias, instead of urging the total divorce of broadcasting from governmental regulation—which would then put the matter of whether networks are *too* commercial or *too* liberal in the laps of the consuming public, not the government, to be dealt with.

BARRON'S should consider, for instance, the immense power of one of the FCC's "little helpers," namely the Broadcast Bureau staff. This group of well paid lawyers is privileged to sit in on all FCC hearings to interrogate prospective station buyers as to whether the new station will threaten the interests of existing broadcasters. Such outrageous advantage bestowed upon those who already possess economic stability in an industry renders the prospects of competition virtually impossible. No wonder network news bias is so widespread—network legal advantage is equally pervasive.

BARRON'S might also note that one of the ludicrous standards the FCC uses in granting a new license to a broadcaster is that he must not threaten the size of the viewing audience other nearby TV stations already enjoy. Which amounts to saying that there can only be one sort of competition in broadcasting—none!

REASON believes that a sustained attack upon the institution of the FCC is far more valuable than any implicit urgings for more consistent application of the "Fairness Doctrine," even when the area being referred to is suffering from obvious bias. One thing we certainly do not need is governmental control of news-broadcasts. At least now we know that the bias comes from the networks—with the FCC calling *all* the shots there would not be *any* credibility to newscasting.

• *REASON* authors make news: Two of *REASON*'s authors have recently had articles published in other magazines. Alan Reynolds ("The Purge of the Chicago Economists," *REASON*, July 1971) had a five-page article on "The Case Against Wage and Price Controls" in the 24 September 1971 issue of *NATIONAL REVIEW*. Dennis J. Chase, whose "Atlas Shrugged at Me" (also in *REASON*, July 1971) provoked much comment, had an article published in the September 1971 issue of *THE QUILL*, published by Sigma Delta Chi, the professional journalistic society. The article, titled "The Aphilosophy of Journalism," discussed the effects of pragmatism and subjectivism in news reporting and included quotations from Nathaniel Branden and *THE OBJECTIVIST*.

• In the first (and, so far as we know, only) trial for census resistance, Hawaii libertarian William J. Danks and four co-defendants were found guilty of a crime against the State and fined $50 each on 25 August 1971. The defendants argued that a compulsory census violates the 1st, 4th, 5th, 9th, 10th, and 14th Amendments and pointed out the government's arbitrariness in singling out five persons of the several million who refused to answer census questions (San Francisco, a rapidly building city, *decreased* its population by 10,000 in the 1970 census, compared to 1960. *Many* people, obviously, did not answer census questionnaires). Both a jury trial and a public defender were denied them.

In his brief to the court, Danks argued, "Far more is involved here than the mere unconstitutionality of a particular Congressional decree. What *is* involved is the freedom of the people—the freedom to live their lives immune from the arbitrary restrictions of a small group of men who have assumed the power of rulers . . . . There can be no guilt without a crime. There can be no crime without a victim. Since there was no victim to my alleged 'crime'—I conclude that in fact there was no crime . . . . Let us hope that America will soon eliminate such 'political' crimes as census resistance. For we cannot long endure if we permit the existence of political crimes and the inevitable political prisoners that always follow."

• New Groups Formed:

1) Committee to Organize a Libertarian Party—A group of Colorado libertarians headed by David F. Nolan has announced plans to organize a libertarian political party. The purposes of the party are to be as follows:

- to take advantage of the free publicity available to candidates during election years, so as to spread libertarian ideas to the public,
- to learn how many Americans are sympathetic to libertarian ideas and attempt to enlist them in libertarian activities,
- to put pressure on the major parties to take more libertarian stands on key issues, and
- to provide an "organizational home" for politically-inclined libertarians.

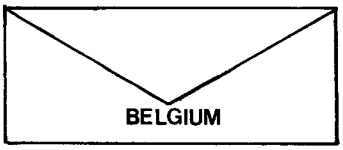
The Committee can be reached at 7748 Lowell Blvd., Westminster, Colorado 80030.

2) National Committee to Legalize Gold—Another group of libertarians, headed by James Blanchard and Evan Soule, have formed a group to work for repeal of the government's ban on private ownership of gold. Pointing out gold's role as the individual's protection against governmental inflationary schemes, the Committee advocates the creation of a "parallel" gold standard in the United States. The plan, proposed by Professor Hans Sennholz, contemplates a gradual phase-in of gold alongside existing paper money. Thus, the gold would provide a legal *alternative* and thereby serve as a check on government irresponsibility.

As a first step, the Committee urges support for two bills to legalize ownership and monetary use of gold: HR 1258 introduced by Representative Phillip Crane, and HR 6790 introduced by Representative John Schmitz. These bills will come before Representative Wright Patman's Committee on Banking and Currency in late November.

For further information on the gold campaign, write to the National Committee to Legalize Gold, 143 Wren Street, New Orleans, Louisiana 70124. □

foreign correspondent



This month's columnist is Guy de Maertelaere from Ghent, Belgium. He reports on a number of developments of interest in Europe.

Carrying first class mail in the United States is the Post Office's monopoly, but for other classes of mail, competition is allowed. In Belgium we don't even have that much economic freedom, as Jean Aerts has found out.

In November 1969, when mail distribution difficulties were higher than ever before in the rather undeveloped north-eastern part of Belgium, Jean Aerts started his private post service, called Distriflash. He issued his own stamps, undercut the official postal rate by a good margin, and made a profit. When he was six months in business the official Post Office complained, and he had to stop, after having printed 1,200,000 stamps.

Last April the case came to court, where his helpers were acquitted and Aerts himself got "only" 8 days in jail (plus symbolical damages to be paid to the monopoly p.o.), because he had acted in good faith. Indeed, as he told the court, he simply didn't know that what he did was illegal.

I guess even in the United States some people must have heard about our famous Mr. Vranckx, Minister of Justice. He is violently anti-American concerning Vietnam and is a member of the Socialist Party, but otherwise you couldn't tell the difference between him and Vice-President Agnew. He is fighting an inexorable war on sex, drugs, "immorality," and pornography. Regularly erotic books and magazines get seized by his police. In a recent talk he outlined some of his ideas as follows:

> The courts must be attentive to the evolution of manners and morals but must also fight them if they go the wrong way . . . Criticism of governmental "conservatism" is often rooted in straightforward disrespect for civilised values [sound familiar?]. Even in a democratic country this cannot be tolerated . . . Just like when the anti-alcohol law was in force, protest against judicial antidrug actions comes from people profiting by the drugs trade."

Mr. Vranckx has long opposed (until now with success) any legal distinction between soft and hard drugs.

Minister Vranckx is a member of the Belgian Socialist Party, which is not especially puritanical but is more concerned with bread and butter issues and gives him free course in his morality crusade. His most ardent supporters, however, are to be found in the other member party of the Belgian government coalition, the Christian People's Party. The opposition, represented by the liberal Party for Freedom and Progress, has raised some protest against the reactionary governmental policy (whether just for the sake of opposition or really because it is concerned about freedom is difficult to say—in Belgium the tradition is for the opposition to condemn whatever the government does and vice-versa, and then to do exactly the same when it has the power itself). The Party for Freedom and Progress, incidentally, has made an interesting proposal to break the radio and television monopoly in favor of private transmitters. The proposal will be rejected by the government, of course.

When, a few months ago, a member of Mr. Vranckx' Socialist Party, Senator Calewaert, entered a bill to legalize abortion almost completely, the Party for Freedom and Progress typically decided not to vote for it but to push instead for "adjustments."

Incidentally, both Minister Vranckx and Senator Calewaert were professors of mine when I studied political science at the university. They are *both* interesting and erudite men, excellent teachers.

Plans are under way to establish a pirate radio station in Belgium, to be called radio Marina.

A recent poll has showed that 37% of those questioned favored the legalization of abortion. 25% wanted to remove legal restrictions on the distribution of pornography. In both cases the remaining votes were about equally divided between *"no"* and *"no opinion."* The poll was meant to be representative of the whole Belgian population.

News from Holland: the new governmental coalition is there. The most interesting political aspect of what happened there in the last months may be the rise of the Democratic Socialist Party, which is part of the coalition. This Democratic Socialist Party, which split off from the socialist Labour Party because it considered the latter to be under excessive New Left influence, may well turn out to be, in economic matters, the most libertarian Dutch party. Under its influence, the government has had to retreat from the wild spending schemes the religious parties had planned to force upon it.

In theoretical papers I have seen from them, the Democratic Socialists argue, in an economically sound way, against exaggerated government subsidies for socially desirable services. Government grants to swimming pools, runs one of their examples, resulting in lower entry prices than the costs would justify, also result in overconsumption from otherwise not really interested persons, which can increase taxes to be used, e.g., for sanitary works. In a somewhat Friedmanesque way, D.S. proposes to replace *that* kind of government subsidies by direct grants to the poor, to be used as they see fit. This isn't, of course, really libertarian either, but certainly a change for the better.

Fascist economics made a big leap forward in Belgium with a new law giving authority to the Minister of Economic Affairs to fix prices not only for an entire industrial sector, as was already the case, but also for any single concern. When a concern announces a price increase, the minister may now forbid or limit the increase for a six month period. If the concern nevertheless sets its prices higher, it may be temporarily closed down. It can appeal the decision in court.

The Minister of Economic Affairs has promised (!) he will use his new powers only in times of economic crisis and after consulting the professional sector concerned. Needless to say, the reason given for this new law is protection of the consumers.

Our rather famous crystal producing plant at Val-Saint-Lambert has been nationalized, in a case that reminds

somewhat of the Lockheed and Rolls Royce affairs: an internationally famous business in financial trouble on the one hand, political pressure to save it for reasons of national pride on the other. Mixed in the nationalizing affair seems to have been our largest bank, of course a self-proclaimed champion of free enterprise.

Across our eastern frontier, in West Germany, the abortion problem is very much debated too. Militant women's movements have mounted a strong attack against paragraph 218 of the German penal code which makes abortion punishable with five years in prison. The slogan here, as in Holland and Belgium is: "Every woman master in her own belly." The spark has been put to the tinder by some well-known German actresses who have publicly disclosed that they have committed abortion. A poll has showed that 46% of the Germans want abortion to be legalized, 39% are against. It is remarkable that more men than women want Paragraph 218 repealed. This somewhat contradicts the statement by some young female rebels who said that the paragraph is a "product of male legislators who don't understand anything of women."

2,345 women have, up to now, accused themselves of having committed abortion. Emotionally sympathetic but biologically puzzling is the fact that 973 men did the same. The surge of lawsuits that the women wanted to provoke, however, didn't come. Public attorneys didn't seem to be very enthusiastic. Large collections have also been held to permit female workers to have an abortion in England.

Characteristically support for the repeal of Paragraph 218 comes largely from socialist SPD and liberal FPD circles. Opposed is the conservative christian CDU. In an episcopal pamphlet the possible repeal of Paragraph 218 was called the first step towards totalitarian chaos and "a new Uebermensch." In Bayern, Joseph Strauss' stronghold, police confiscated papers of the proponents of legalized abortion.

It seems that SPD-Minister of Justice, Gerhard Jahn, does not favor completely legalized abortion. In his opinion it should remain the exception, rather than the rule. He wants to codify those exceptions according to their nature: medical indication (danger to the life of the mother), ethical indication (physical or psychological deformation of the child), and possibly also some social indications. He also wants to improve sexual education and make contraceptives more available.

Book News: Ira Levin's *THE PERFECT DAY* has been translated into Dutch. The publishers told me they also plan to bring a translation of Heinlein's *STRANGER IN A STRANGE LAND* out on the market. They had declined, however, to translate *THE MOON IS A HARSH MISTRESS*.

Perhaps it will surprise American libertarians that Ayn Rand's *THE FOUNTAINHEAD* was translated into French many years ago and into Dutch just about two years ago. Nevertheless, as far as I can judge, it has failed to have any impact so far (the Dutch edition was an expensive hardbound one).

Sure to have an impact, on the other hand, is a new book on drugs from the most influential publishing house in Holland and the Dutch speaking part of Belgium. It argues for complete, although gradual, legalization of all drugs.

Pollution problems are more acute than ever here. Whenever the establishment of a heavily polluting factory is planned, ad hoc committees arise, protest meetings are held, and petitions are presented to the competent authorities who, while often paying lip service to the principle of "protection of the environment," always conclude that *this* factory fortunately will not pollute anything *important*.

In the meantime, five big cities in Belgium have adopted severe limits on the polluting materials exhaust-gases of house heating may contain and so, indirectly, on *what* may be burned. Since this is a news column I will not extensively elaborate upon my personal opinion concerning these matters. Just let me note that I am not very happy with those libertarians who, as their only comment upon the pollution problem, always repeat that the problem will no longer exist as soon as property rights are fully enforced. □

letters

SYSTEM DYNAMICS

I was pleased that *REASON* reprinted Professor Jay W. Forrester's article, "Counterintuitive Behavior of Social Systems," from *TECHNOLOGY REVIEW*. My pleasure stems from two related thoughts—one, that it describes a methodology founded on logical reasoning and, two, that the methodology is applicable to a myriad of social problems characterized now by illogical and futile attempts at solution.

It was therefore with some annoyance, but no surprise, that I read Bill Westmiller's tirade against the article in the September 1971 issue of *REASON*. I express no surprise because he has fallen prey to the usual misconceptions about the methodology created largely through ignorance of what it is and why it is even attempted in the first place. But I do agree that some of the gnawing doubts Mr. Westmiller expressed about whose decisions these were and who benefits from any policies implemented are central issues in social systems and ones which should be squarely faced. I contend, however, that it was not the purpose of the article, nor of the study on which it was based, to face these issues *at this time*.

Rather it was, in my opinion, to obtain and transmit a better understanding of what drives such a system to produce the dynamic behavior observed over time and to investigate in a preliminary way the effects of certain policies offered as possible alternatives for discussion and, later, for implementation. The discussion part is crucial to the methodology to ensure that the value set of the analysts is not imposed coercively on the rest of society were the recommendations to be implemented. Issues such as those which concern Mr. Westmiller should be raised and resolved in the modeling process. People such as Mr. Westmiller should be persuaded of the method's worth and participate in defining the assumptions and structure of the models.

Mr. Westmiller has indulged in at least three cardinal sins of critical reporting:

1) letting his personal biases show against institutional research and the values he imputes to much of it, such as those commonly found in insulated upper-class bureaucracies,
2) wrongly identifying the author of an article he frequently cited: Richard M. Koff, and *not* *PLAYBOY*, wrote the article "An End To All This" which appeared in the September issue of *PLAYBOY*, and he should have been given appropriate credit, and
3) displaying his ignorance of the method he was criticizing. What was reported in Forrester's article were the results of preliminary research—a personal hypothesis offered for discussion—and not a final divine judgment on how the system really behaves. For this reason, Professor Dennis Meadows of Massachusetts Institute of Technology is recruiting researchers, mostly graduate students, to collect data and test the assumptions on which Forrester's model is based. The onus is on the critic to disprove the hypotheses in the model by offering alternative counter-hypotheses with sound cause-effect reasoning and about which data can be gathered for later validation. Until this is done, Forrester's work represents the clearest and simplest model of world problems we have to date.

   Further, relationships in the model are quantified only so that ensuing discussion can be very specific and so the model can get running. Specific values for the indicator "Quality of Life" are meaningless in themselves: far more meaningful is the contention that, depending on how it is defined, certain variables play stronger roles than others in causing the indicator to change one way or the other. If someone doesn't agree that it is slightly higher now than it was, say in some previous time, then he should be encouraged to direct his criticism toward the assumptions that created that particular output, and/or with the way the indicator is defined. This is not the same as criticizing the *method* or the underlying rationale that the method can provide valuable insights into the operation and behavior of complex social systems, as Mr. Westmiller has done. He has let his strong personal biases and feelings cloud the cogent remarks he was trying to make.

In summary, whatever criticisms may be levelled at the assumptions that go into creating a model, I feel that the modeling methodology itself is beyond criticism *for what it purports to do*. It is being used increasingly successfully in a broader range of applications dealing primarily with pressing social issues. Specifically, it is more suited to systems or organizations that have been experiencing a problem which has persisted through time and which has implicitly resisted all attempts at solution. System dynamicists theorize that the reason is that those people in control are not aware of the complex set of feedback loops which are inherent in the system, nor how easy it is for an ultra-stable system to "shrug off" intuitive attempts to get it to behave differently.

Particularly when addressing problems in the public sector, we need more dialog between the majority and the minority groups, between the Establishment and those opposed to it, between people who subscribe to one value system and those who cling to another, and between the traditional and the innovative. Models such as Forrester's and those of his students form a good basis for that dialog, and in turn, a basis for change based on reason. Even *NEW YORK TIMES* editor Harry Schwartz concludes, in a June 17 1971 article called "Forrester's Law," that the method deserves "serious trial" in attempts at solving many of our most pressing social problems.

Stanley C. Abraham
Los Angeles

EDITOR'S NOTE
Mr. Abraham attended the 11-day Special Summer Program on "Industrial Dynamics: Corporate and Social Systems" at the Alfred P. Sloan School of Management at Massachusetts Institute of Technology, June 1971. The course is offered annually, and information about next year's offering may be obtained from the Director of the Summer Session, Room E19-356, M.I.T. Cambridge, Mass. 02139.

GODFATHER AND FICTION

I enjoyed reading Editor Machan's review of *THE GODFATHER (REASON*, September 1971). However, his remarks on the state of contemporary American fiction calls for comment. To a large degree, contemporary *science fiction* is providing the sort of enjoyment and quality which he finds lacking in most other literature. As examples: Anderson's *BRAIN WAVE, THE STAR FOX, TAU ZERO*; Ursula K. LeGuin's *THE LEFT HAND OF DARKNESS*; Roger Zelazny's *LORD OF LIGHT*; Cordwainer Smith's short stories, above all *THE GAME OF RAT AND DRAGON*; and Fritz Leiber's *THE BIG TIME*. The characteristic of these and other excellent works within this field is that they project a context radically unlike the present one in certain ways, and then attempt to show how human beings in that context would feel and why. The best of these writers have made this genre more consistently intelligent, more reflective of human worth than any previous body of literature with which I am acquainted.

Also, the review refers to Puzo's projection of love. I, personally, have encountered no vision of love more worthy of respect, or more delightful to me, than in J. R. R. Tolkien's *THE LORD OF THE RINGS*. Tolkien says, in *ON FAIRY-STORIES*, that one function of fairy-stories (and of literature in general, I would say) is the recovery of clear vision of our primary and essential values, out of the confusion to which much of everyday habit subjects them; his own work is one of the best achievements in this respect that I know of—there is more health in it than in any but a very few works I have found anywhere.

William H. Stoddard
Sunnywide, Calif.

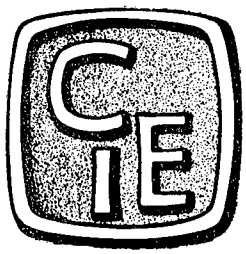
SPEED LIMITS

I recommend to readers interested in auto problems an article in the February 1970 issue of *ROAD & TRACK*. The article is entitled "Do Speed Limits Work?" by J.J. Leeming.

Mr. Leeming's analysis of road fatality statistics, both in the United Kingdom and the United States, brings to light some interesting conclusions on the efficacy of government-imposed speed limits. In some ways, this article echoes the substance of Mr. Forrester's work: the *counter*intuitive behavior of systems.

Leeming's article is concise and illustrated with graphical information. I urge all to examine it.

Michael J. Dunn
Bellingham,Wash.



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THE ECONOMIC AND SOCIAL IMPACT OF FREE TUITION by Armen A. Alchian State colleges and universities generally charge no tuition, offering students "free" education. Obviously, providing such education involves substantial dollar costs to the taxpayers. Less obvious, though, are a number of other nonmonetary costs imposed by free tuition. In this wide-ranging essay, Prof. Alchian analyzes free tuition's effects on the behavior and choices of students, parents, and professors and contrasts the present situation with full-cost pricing. He also examines the advantages and disadvantages of tax credits and education vouchers as methods of moving toward full-cost pricing. Prof. Alchianteaches at UCLA and is the coauthor with William Allen of *UNIVERSITY ECONOMICS.* Price 25 cents.

ACADEMIA IN ANARCHY by James M. Buchanan What are the consequences of the widespread failure to apply economic reasoning to the production and consumption of educational services? In their recent book, *ACADEMIA IN ANARCHY: AN ECONOMIC DIAGNOSIS* Professors James Buchanan and Nicos Devletoglou attempted to answer this question. Some findings: "Since they are not required to market their services, faculties have no interest in guaranteeing that they meet the needs and desires of consumers . . . Should anyone really be surprised when they observe that faculties organize and operate the whole educational process largely for their own satisfaction;" "It is the absence of effective ownership that makes faculties and university administrative authorities so vulnerable to militant demands and disruptive action. University and college facilities are 'common' property; used by everyone but personally owned by no one." This pamphlet provides a concise summary of their incisive analysis. Price 10 cents.

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1. Entries are due by January 31, 1971 and should be submitted to Contest, 15 Yale Street, Winchester, Mass.
2. Entries should be approximately 250 words.
3. All entries become property of the New England Libertarian Alliance.

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